MAY 14 1982

1035-B-8

Y4.B85/3: R31/2/982

COMMITTEE PRINT

COMPLETED
244

COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES

CHAIRMAN'S RECOMMENDATIONS FOR THE FIRST CONCURRENT RESOLUTION ON THE FISCAL YEAR 1983 BUDGET AND A FISCAL YEAR 1984 AND FISCAL YEAR 1985 BUDGET PLAN AND A REVISED SECOND CONCURRENT RESOLUTION FOR FISCAL YEAR 1982

MAY 12, 1982

[CP-16]

93-558 O

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1982

I

COMMITTEE ON THE BUDGET

JAMES R. JONES, Oklahoma, *Chairman*

JIM WRIGHT, *Texas*
DAVID R. OBEY, *Wisconsin*
PAUL SIMON, *Illinois*
NORMAN Y. MINETA, *California*
JIM MATTOX, *Texas*
STEPHEN J. SOLARZ, *New York*
TIMOTHY E. WIRTH, *Colorado*
LEON E. PANETTA, *California*
RICHARD A. GEPHARDT, *Missouri*
BILL NELSON, *Florida*
LES ASPIN, *Wisconsin*
W. G. (BILL) HEFNER, *North Carolina*
THOMAS J. DOWNEY, *New York*
ADAM BENJAMIN, Jr., *Indiana*
BRIAN J. DONNELLY, *Massachusetts*
PHIL GRAMM, *Texas*
MIKE LOWRY, *Washington*

DELBERT L. LATTA, *Ohio*
RALPH REGULA, *Ohio*
BUD SHUSTER, *Pennsylvania*
BILL FRENZEL, *Minnesota*
JACK KEMP, *New York*
JAMES G. MARTIN, *North Carolina*
PAUL TRIBLE, *Virginia*
ED BETHUNE, *Arkansas*
LYNN MARTIN, *Illinois*
ALBERT LEE SMITH, Jr., *Alabama*
EUGENE JOHNSTON, *North Carolina*
BOBBI FIEDLER, *California*

Mace Broide, *Executive Director*
John C. Dill, *Deputy Executive Director*
Harold J. Leigh, *Director, Budget Priorities*
Van Doorn Ooms, *Chief Economist*

TABLE OF CONTENTS

Page

I. PRINCIPLES UNDERLYING THE RECOMMENDATION I

II. SUMMARY TABLES 5

III. PROVISIONS OF LAW RELATING TO THE RESOLUTION 17

IV. ECONOMIC OUTLOOK 23

V. CREDIT BUDGET RECOMMENDATION 41

VI. FISCAL YEAR 1983 REVENUE RECOMMENDATIONS 47

VII. SUMMARY OF FISCAL YEAR 1983 SPENDING RECOMMENDATIONS BY FUNCTION 53

- 050 - Defense 55
- 150 - International Affairs 66
- 250 - General Science, Space, and Technology 71
- 270 - Energy 77
- 300 - Natural Resources and Environment 82
- 350 - Agriculture 87
- 370 - Commerce and Housing Credit 94
- 400 - Transportation 101
- 450 - Community and Regional Development 106
- 500 - Education, Training, Employment, and Social Services 113
- 550 - Health 121
- 600 - Income Security 130
- 700 - Veterans Benefits and Services 142
- 750 - Administration of Justice 150
- 800 - General Government 154
- 850 - General Purpose Fiscal Assistance 159
- 900 - Interest 165
- 920 - Allowances 169
- 950 - Undistributed Offsetting Receipts 173

VIII. FISCAL YEAR 1982 REVISED SECOND BUDGET RESOLUTION RECOMMENDATIONS 177

I. PRINCIPLES UNDERLYING THE RECOMMENDATION

BLANK PAGE

I. PRINCIPLES UNDERLYING THE RECOMMENDATION

The recommendation embraces a three year fiscal policy plan premised on three basic principles; (a) deficit reductions leading toward a balanced budget, (b) fair and equitable treatment of all segments and regions of our society in both spending and taxing decisions and (c) reasonable spending priorities that are targeted to urgent present and future needs.

(a) Deficit Reduction -- A substantial reduction in deficit spending is imperative if our economy is to recover. The deficits projected for the next three years, should we fail to alter current policies, are staggering. These deficits are projected to be $181.80 billion for fiscal year 1983, $215.30 billion in fiscal year 1984 and $232.15 billion in fiscal year 1985, for a combined total of $629.25 billion. Federal borrowing of this magnitude would severely restrict the credit available to the private sector and drive real interest rates even higher than they are today. Unquestionably this would completely erode our financial markets causing disasterous consequences for all Americans.

To allievate this problem a series of spending reductions and revenue measures are proposed that will reduce the deficit by $420.75 billion over the next three years. The defícts projected in this recommendation are:

for fiscal year 1983 - $102.90 billion
for fiscal year 1984 - 71.85 billion
for fiscal year 1985 - 33.30 billion

A HIGH-EMPLOYMENT BUDGET, ESTIMATED AT A 6 PERCENT UNEMPLOYMENT RATE, WOULD BE IN BALANCE BY 1985.

To accomplish these goals, a revenue increase that will total approximately $145 billion in the next three fiscal years will have to be enacted. In addition, user fees of approximately $6 billion will have to be adopted over the next three fiscal years. On the spending side, we must achieve savings totaling $269.75 billion in the next three fiscal years.

(b) Fairness and Equity -- The policy changes that are necessary to implement any deficit reduction plan are neither easy nor pleasant. Any plan, whether it be the President's, the Senate Budget Committee's, or a bipartisan compromise requires sacrifices on the part of the American people. Basic to this recommendation is that the American people are willing to make the necessary sacrifices so long as those sacrifices are fair and equitably shared among different income groups and regions. A guiding consideration is that any tax changes or spending cuts not be placed upon those who are least capable of shouldering the burden. Another guiding consideration is that no reductions in Social Security are contemplated in order to move toward a balanced budget. The solvency of the Social Security fund must be considered on its own merits and apart from the current overall budgetary situation. In addition, this recommendation avoids any entitlement reductions that would unfairly affect the benefits of those who are without means independent of Government assistance.

(c) Reasonable Spending Priorities that are Targeted to Urgent and Specific Needs -- In a time of austerity, it is absolutely critical that any spending priorities pass the most severe test of cost effectiveness and urgent need.

This recommendation addresses the imbalance in spending priorities that has been proposed by the President and endorsed in the Senate Budget Committee's plan between defense and domestic spending. This recommendation assumes that a substantial reduction in the increase in defense spending proposed by the President can be made without imparing our national defense or readiness. Nevertheless, the recommendation does provide a five percent increase in real terms for national defense. This level of spending is adequate to meet national security requirements.

The magnitude of the defense spending proposed by the administration is not buttressed by evidence of either cost effectiveness or urgent need. There are no long-range plans. The large increases in procurement accounts could lead to the purchase of inefficient and costly weapons systems and result in even higher cost due to modifications in a variety of programs.

On the domestic spending side savings can be achieved through a variety of measures including entitlement reform, freezing nondefense discretionary programs at the 1982 program levels and through the adoption of management initiatives. To meet urgent national needs to increase productivity in human and physical capital however, in some programs it is viewed as necessary to go above 1982 program levels. Education, job training, health, and our research and development programs require additional funds for effective results. Also included in this recommendtion is a $2 billion jobs creation program to be enacted in fiscal year 1982. With 10.3 million Americans out of work it would be gross negligence to sit idly by and do nothing.

Finally, the proposed deficit reduction plan must be accompanied by implementation of an appropriate monetary policy if interest rates are to be reduced. Under current policy, projected fiscal policy is far too loose, and monetary policy is likely to remain very restrictive in view of these large projected deficits. This unbalanced mix of policies must be changed. As this recommendation for changes in fiscal policy is implemented the Federal Reserve must adopt a monetary policy which will allow interest rates to fall and permit a sustained economic recovery.

II. SUMMARY TABLES

BLANK PAGE

COMPARISON OF AGGREGATES
(In billions of dollars)

FISCAL YEAR 1983

	President Reagan's Request Feb. 5, 1982	President Reagan's Request April 9, 1982	President Reagan Reestimated by CBO	Chairman's Recommendation May 12, 1982
Budget Authority...........................	802.00	807.60	816.45	826.50
Outlays....................................	757.60	767.10	785.60	778.90
Revenues...................................	666.10	665.10	653.20	676.00
Deficit....................................	-91.50	-102.00	-132.40	-102.90
Debt Subject to Limit......................	1,254.30	1,268.00	1,299.20	1,277.30
FISCAL YEAR 1984				
Budget Authority...........................	858.00	864.40	887.25	887.05
Outlays....................................	805.90	815.80	846.30	824.85
Revenues...................................	723.00	722.00	710.70	753.00
Deficit....................................	-82.90	-93.80	-135.60	-71.85
Debt Subject to Limit......................	1,368.70	1,393.10	1,462.60	1,376.35
FISCAL YEAR 1985				
Budget Authority...........................	943.50	952.90	979.90	951.25
Outlays....................................	868.50	878.60	914.75	879.30
Revenues...................................	796.60	796.80	778.60	846.00
Deficit....................................	-71.90	-81.80	-136.15	-33.30
Debt Subject to Limit......................	1,482.00	1,516.40	1,634.40	1,446.05

COMPARISON OF OUTLAYS, FISCAL YEAR 1983

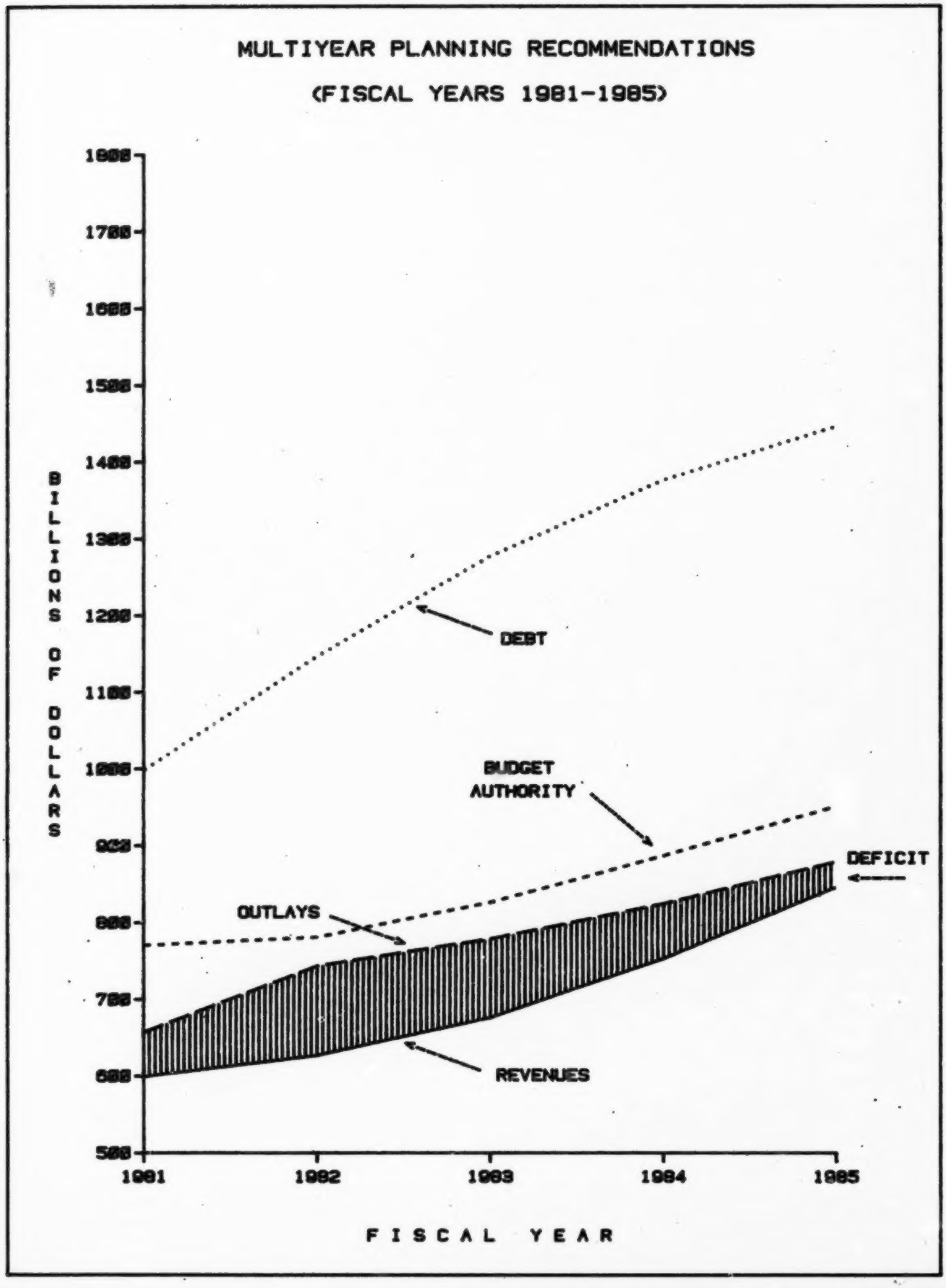
(In billions of dollars)

		President Reagan Feb. 5, 1982	President Reagan April 9, 1982	Reagan Reestimated by CBO	Chair-man's Fiscal Year 1983 Recommen-dation
050	National Defense........................	221.05	221.30	223.15	212.60
150	International Affairs...................	11.95	12.15	12.15	12.10
250	General Science, Space, and Technology..	7.65	7.65	7.65	7.25
270	Energy..................................	4.20	4.15	4.35	5.00
300	National Resources and Environment......	9.90	9.90	10.50	10.85
350	Agriculture.............................	4.50	9.40	10.25	10.10
370	Commerce and Housing Credit.............	1.60	1.60	1.80	2.95
400	Transportation..........................	19.65	19.55	19.40	20.00
450	Community and Regional Development......	7.25	7.25	7.70	7.90
500	Education, Training, Employment, and Social Services.......................	21.55	21.90	22.60	27.45
550	Health..................................	78.10	77.50	78.05	80.10
600	Income Security.........................	261.75	262.00	267.00	273.05
700	Veterans Benefits and Services..........	24.35	24.40	23.80	23.05
750	Administration of Justice...............	4.60	4.70	4.70	4.65
800	General Government......................	5.00	5.00	5.15	4.85
850	General Purpose Fiscal Assistance.......	6.70	6.70	6.50	6.50
900	Interest................................	112.50	113.60	121.75	115.00
920	Allowances..............................	-1.25	-0.50	-0.55	-0.85
950	Undistributed Offsetting Receipts.......	-43.45	-41.15	-40.35	-43.65
	Total...................................	757.60	767.10	785.60	778.90

COMPARISON OF BUDGET AUTHORITY, FISCAL YEAR 1983

(In billions of dollars)

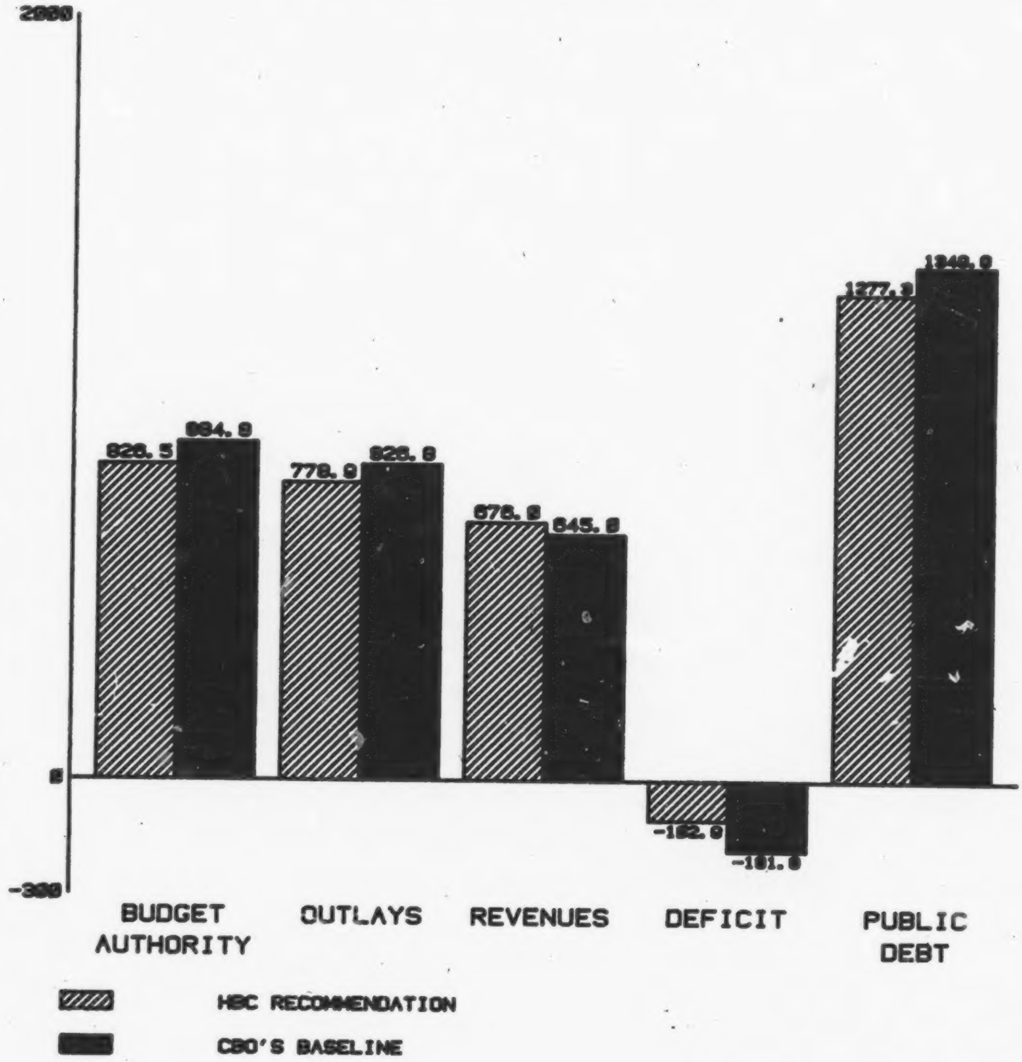
		President Reagan Feb. 5, 1982	President Reagan April 9, 1982	Reagan Reestimated by CBO	Chair-man's Fiscal Year 1983 Recommen-dation
050	National Defense	263.05	263.35	263.55	243.45
150	International Affairs	18.15	18.15	16.90	16.15
250	General Science, Space, and Technology	7.80	7.80	7.80	7.25
270	Energy	4.35	4.25	4.15	5.30
300	National Resources and Environment	8.45	8.45	8.75	9.40
350	Agriculture	6.85	9.10	7.00	6.90
370	Commerce and Housing Credit	3.40	3.40	3.40	7.95
400	Transportation	19.10	18.95	19.10	21.95
450	Community and Regional Development	6.65	6.75	6.80	7.00
500	Education, Training, Employment, and Social Services	18.80	19.05	20.00	27.45
550	Health	77.80	77.15	76.80	77.30
600	Income Security	257.60	257.00	260.30	286.25
700	Veterans Benefits and Services	25.65	25.65	24.65	23.75
750	Administration of Justice	4.55	4.60	4.60	4.60
800	General Government	5.25	5.25	5.35	5.00
850	General Purpose Fiscal Assistance	6.70	6.70	6.50	6.50
900	Interest	112.55	113.60	121.75	115.00
920	Allowances	-1.25	-0.45	-0.60	-1.05
950	Undistributed Offsetting Receipts	-43.45	-41.15	-40.35	-43.65
	Total	802.00	807.60	816.45	826.50

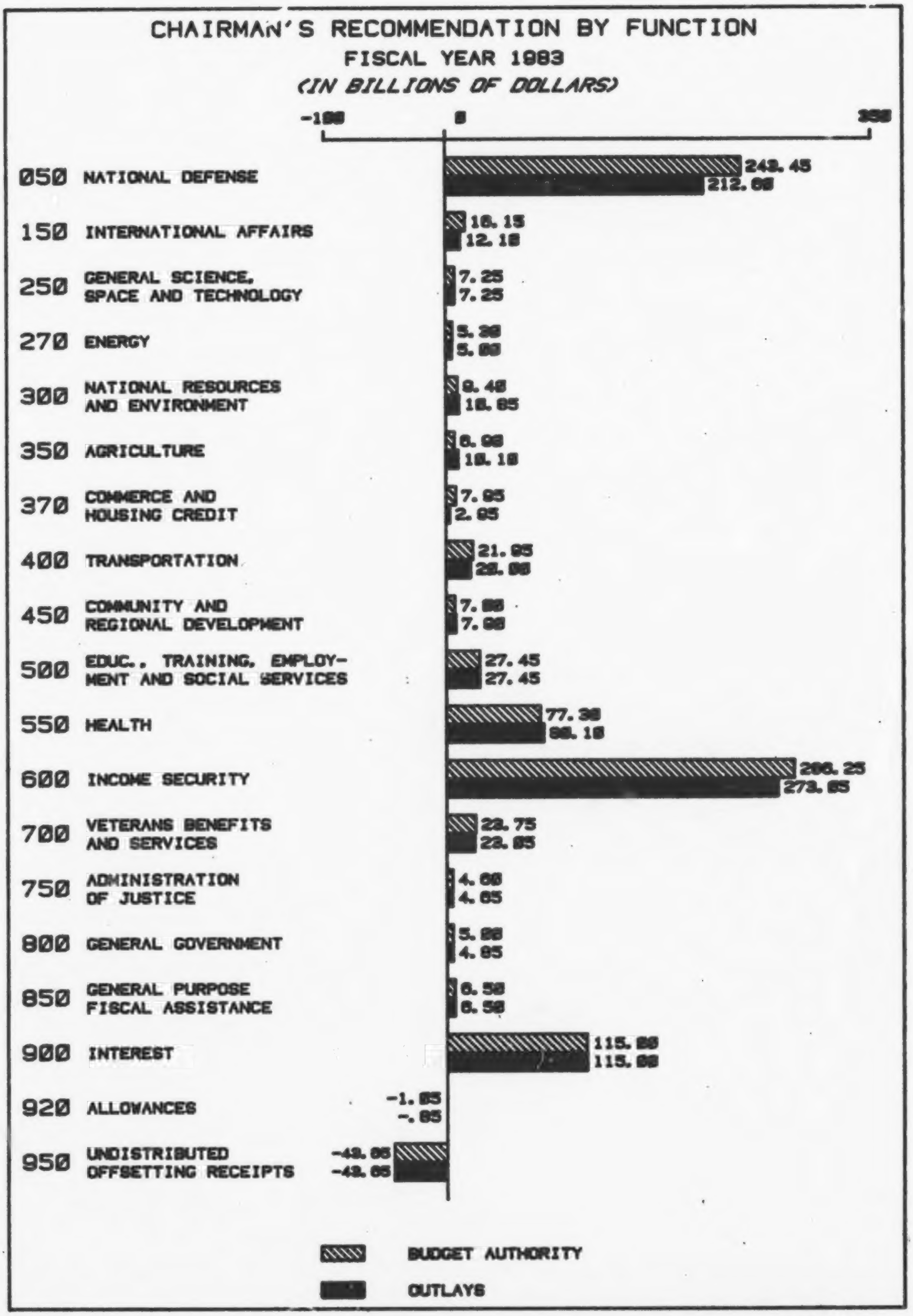

MULTIYEAR PLANNING RECOMMENDATIONS
(FISCAL YEARS 1981-1985)
BILLIONS OF DOLLARS
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
DEBT
BUDGET AUTHORITY
DEFICIT
OUTLAYS
REVENUES
1981
1982
1983
1984
1985
FISCAL YEAR

FISCAL YEAR 1983 - COMPARISON OF AGGREGATES

CHAIRMAN'S RECOMMENDATION VS. CBO'S BASELINE

(IN BILLIONS OF DOLLARS)





CHAIRMAN'S RECOMMENDATION BY FUNCTION
FISCAL YEAR 1983
(IN BILLIONS OF DOLLARS)

COMPARISON OF CBO BASELINE ESTIMATE WITH CHAIRMAN'S RECOMMENDATION

IN FISCAL YEARS
(IN BILLIONS OF DOLLARS)

	CBO BASELINE ESTIMATE			CHAIRMAN'S RECOMMENDATION			DIFFERENCE		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
BUDGET AUTHORITY..............................	884.80	982.45	1,099.45	826.50	887.05	951.25	-58.30	-95.40	-148.20
OUTLAYS.......................................	826.80	917.95	1,012.50	778.90	824.85	879.30	-47.90	-93.10	-133.20
REVENUES......................................	645.00	702.00	780.00	676.00	753.00	846.00	+31.00	+51.00	+66.00
DEFICIT/SURPLUS...............................	-181.80	-215.95	-232.50	-102.90	-71.85	-33.30	+78.90	+144.10	+199.20
050--NATIONAL DEFENSE:									
BUDGET AUTHORITY..........................	264.60	293.25	341.55	243.45	268.75	296.45	-21.15	-24.50	-45.10
OUTLAYS...................................	224.20	257.05	297.40	212.60	235.85	266.45	-11.60	-21.20	-30.95
150--INTERNATIONAL AFFAIRS:									
BUDGET AUTHORITY..........................	17.60	19.55	25.25	16.15	16.80	21.20	-1.45	-2.75	-4.05
OUTLAYS...................................	12.50	13.55	14.45	12.10	12.30	12.30	-0.40	-1.25	-2.15
250--GENERAL SCIENCE, SPACE AND TECHNOLOGY:									
BUDGET AUTHORITY..........................	7.75	7.75	7.60	7.25	7.25	7.20	-0.50	-0.50	-0.40
OUTLAYS...................................	7.60	7.75	7.60	7.25	7.35	7.25	-0.35	-0.40	-0.35
270--ENERGY:									
BUDGET AUTHORITY..........................	5.75	5.45	5.60	5.30	4.70	4.65	-0.45	-0.75	-0.95
OUTLAYS...................................	5.30	4.75	4.70	5.00	4.05	3.85	-0.30	-0.70	-0.85
300--NATURAL RESOURCES AND ENVIRONMENT:									
BUDGET AUTHORITY..........................	10.75	10.65	10.90	9.40	8.75	8.35	-1.35	-1.90	-2.55
OUTLAYS...................................	11.85	11.40	11.00	10.85	9.85	8.85	-1.00	-1.55	-2.15
350--AGRICULTURE:									
BUDGET AUTHORITY..........................	6.80	8.55	7.20	6.90	8.40	6.85	+0.10	-0.15	-0.35
OUTLAYS...................................	10.30	8.45	7.80	10.10	8.25	7.50	-0.20	-0.20	-0.30
370--COMMERCE AND HOUSING CREDIT:									
BUDGET AUTHORITY..........................	7.40	8.40	8.60	7.95	8.50	8.35	+0.55	+0.10	-0.25
OUTLAYS...................................	4.30	4.35	4.10	2.95	2.60	2.60	-1.35	-1.75	-1.50
400--TRANSPORTATION:									
BUDGET AUTHORITY..........................	22.30	23.30	24.35	21.95	22.05	22.60	-0.35	-1.25	-1.75
OUTLAYS...................................	20.45	21.20	22.40	20.00	19.65	19.85	-0.45	-1.55	-2.55
450--COMMUNITY AND REGIONAL DEVELOPMENT:									
BUDGET AUTHORITY..........................	7.30	8.25	9.00	7.00	7.15	7.35	-0.30	-1.10	-1.65
OUTLAYS...................................	7.95	7.90	8.40	7.90	7.60	7.70	-0.05	-0.30	-0.70
500--EDUC., TRAINING, EMPLOYMENT AND SOC. SERV.:									
BUDGET AUTHORITY..........................	28.45	30.25	31.75	27.45	28.15	28.20	-1.00	-2.10	-3.55
OUTLAYS...................................	28.00	29.45	30.85	27.45	27.90	28.10	-0.55	-1.55	-2.75
550--HEALTH:									
BUDGET AUTHORITY..........................	81.20	94.60	106.75	77.30	81.70	94.10	-3.90	-12.90	-12.65
OUTLAYS...................................	82.65	93.65	107.20	80.10	89.65	101.25	-2.55	-4.00	-5.95
600--INCOME SECURITY:									
BUDGET AUTHORITY..........................	288.05	306.65	341.00	286.25	314.35	344.45	-1.80	+7.70	+3.45
OUTLAYS...................................	275.05	293.15	317.00	273.05	289.75	312.00	-2.00	-3.40	-5.00
700--VETERANS BENEFITS AND SERVICES:									
BUDGET AUTHORITY..........................	24.75	26.10	27.20	23.75	24.45	24.85	-1.00	-1.65	-2.35
OUTLAYS...................................	24.70	25.60	26.85	23.05	23.85	24.75	-1.65	-1.75	-2.10
750--ADMINISTRATION OF JUSTICE:									
BUDGET AUTHORITY..........................	4.80	4.90	5.00	4.60	4.60	4.60	-0.20	-0.30	-0.40
OUTLAYS...................................	4.80	4.85	5.00	4.65	4.60	4.60	-0.15	-0.25	-0.40
800--GENERAL GOVERNMENT:									
BUDGET AUTHORITY..........................	5.25	5.05	5.20	5.00	4.70	4.70	-0.25	-0.35	-0.50
OUTLAYS...................................	5.05	4.95	4.95	4.85	4.60	4.50	-0.20	-0.35	-0.45
850--GENERAL PURPOSE FISCAL ASSISTANCE:									
BUDGET AUTHORITY..........................	6.55	7.10	7.60	6.50	6.75	6.85	-0.05	-0.35	-0.75
OUTLAYS...................................	6.55	7.00	7.50	6.50	6.70	6.85	-0.05	-0.30	-0.65
900--INTEREST:									
BUDGET AUTHORITY..........................	127.80	155.95	170.00	115.00	119.30	110.85	-12.80	-36.65	-59.15
OUTLAYS...................................	127.80	155.95	170.00	115.00	119.30	110.85	-12.80	-36.65	-59.15
920--ALLOWANCES:									
BUDGET AUTHORITY..........................	2.35	4.85	7.15	-1.05	0.20	0.50	-3.40	-4.65	-6.65
OUTLAYS...................................	2.40	5.10	7.55	-0.85	0.50	0.90	-3.25	-4.60	-6.65
950--UNDISTRIBUTED OFFSETTING RECEIPTS:									
BUDGET AUTHORITY..........................	-34.65	-38.15	-42.25	-43.65	-49.50	-50.85	-9.00	-11.35	-8.60
OUTLAYS...................................	-34.65	-38.15	-42.25	-43.65	-49.50	-50.85	-9.00	-11.35	-8.60

COMPARISON OF PRESIDENT'S REESTIMATED BUDGET WITH CHAIRMAN'S RECOMMENDATION

IN FISCAL YEARS
(IN BILLIONS OF DOLLARS)

	OMB REESTIMATED BY CBO			CHAIRMAN'S RECOMMENDATION			DIFFERENCE		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
BUDGET AUTHORITY	816.45	887.25	979.90	826.50	887.05	951.25	+10.05	-0.20	-28.65
OUTLAYS	785.60	846.30	914.75	778.90	824.85	879.30	-6.70	-21.45	-35.45
REVENUES	653.20	710.70	778.60	676.00	753.00	846.00	+22.80	+42.30	+67.40
DEFICIT/SURPLUS	-132.40	-135.60	-136.15	-102.90	-71.85	-33.30	+29.50	+63.75	+102.85
050--NATIONAL DEFENSE:									
BUDGET AUTHORITY	263.55	291.20	338.45	243.45	268.75	296.45	-20.10	-22.45	-42.00
OUTLAYS	223.15	255.05	294.30	212.60	235.85	266.45	-10.55	-19.20	-27.85
150--INTERNATIONAL AFFAIRS:									
BUDGET AUTHORITY	16.90	17.85	17.60	16.15	16.80	21.20	-0.75	-1.05	+3.60
OUTLAYS	12.15	12.75	13.05	12.10	12.30	12.30	-0.05	-0.45	-0.75
250--GENERAL SCIENCE, SPACE AND TECHNOLOGY:									
BUDGET AUTHORITY	7.80	7.70	7.25	7.25	7.25	7.20	-0.55	-0.45	-0.05
OUTLAYS	7.65	7.80	7.40	7.25	7.35	7.25	-0.40	-0.45	-0.15
270--ENERGY:									
BUDGET AUTHORITY	4.15	4.05	3.65	5.30	4.70	4.65	+1.15	+0.65	+1.00
OUTLAYS	4.35	3.50	3.30	5.00	4.05	3.85	+0.65	+0.55	+0.55
300--NATURAL RESOURCES AND ENVIRONMENT:									
BUDGET AUTHORITY	8.75	8.15	7.90	9.40	8.75	8.35	+0.65	+0.60	+0.45
OUTLAYS	10.50	9.30	8.45	10.85	9.85	8.85	+0.35	+0.55	+0.40
350--AGRICULTURE:									
BUDGET AUTHORITY	7.00	8.40	6.80	6.90	8.40	6.85	-0.10	...	+0.05
OUTLAYS	10.25	7.80	7.15	10.10	8.25	7.50	-0.15	+0.45	+0.35
370--COMMERCE AND HOUSING CREDIT:									
BUDGET AUTHORITY	3.40	4.30	4.65	7.95	8.50	8.35	+4.55	+4.20	+3.70
OUTLAYS	1.80	1.50	0.30	2.95	2.60	2.60	+1.15	+1.10	+2.30
400--TRANSPORTATION:									
BUDGET AUTHORITY	19.10	18.95	19.25	21.95	22.05	22.60	+2.85	+3.10	+3.35
OUTLAYS	19.40	18.80	19.35	20.00	19.65	19.85	+0.60	+0.85	+0.50
450--COMMUNITY AND REGIONAL DEVELOPMENT:									
BUDGET AUTHORITY	6.80	7.00	7.40	7.00	7.15	7.35	+0.20	+0.15	-0.05
OUTLAYS	7.70	7.40	7.55	7.90	7.60	7.70	+0.20	+0.20	+0.15
500--EDUC., TRAINING, EMPLOYMENT AND SOC. SERV.:									
BUDGET AUTHORITY	20.00	18.70	18.15	27.45	28.15	28.20	+7.45	+9.45	+10.05
OUTLAYS	22.60	20.40	18.30	27.45	27.90	28.10	+4.85	+7.50	+9.80
550--HEALTH:									
BUDGET AUTHORITY	76.80	80.95	93.40	77.30	81.70	94.10	+0.50	+0.75	+0.70
OUTLAYS	78.05	85.90	94.80	80.10	89.65	101.25	+2.05	+3.75	+6.45
600--INCOME SECURITY:									
BUDGET AUTHORITY	260.30	284.85	316.90	286.25	314.35	344.45	+25.95	+29.50	+27.55
OUTLAYS	267.00	281.70	302.55	273.05	289.75	312.00	+6.05	+8.05	+9.45
700--VETERANS BENEFITS AND SERVICES:									
BUDGET AUTHORITY	24.65	25.60	26.65	23.75	24.45	24.85	-0.90	-1.15	-1.80
OUTLAYS	23.80	24.80	26.45	23.05	23.85	24.75	-0.75	-0.95	-1.70
750--ADMINISTRATION OF JUSTICE:									
BUDGET AUTHORITY	4.60	4.65	4.60	4.60	4.60	4.60	...	-0.05	...
OUTLAYS	4.70	4.65	4.55	4.65	4.60	4.60	-0.05	-0.05	+0.05
800--GENERAL GOVERNMENT:									
BUDGET AUTHORITY	5.35	5.20	5.20	5.00	4.70	4.70	-0.35	-0.50	-0.50
OUTLAYS	5.15	5.05	4.95	4.85	4.60	4.50	-0.30	-0.45	-0.45
850--GENERAL PURPOSE FISCAL ASSISTANCE:									
BUDGET AUTHORITY	6.50	6.65	6.80	6.50	6.75	6.85	...	+0.10	+0.05
OUTLAYS	6.50	6.70	6.80	6.50	6.70	6.85	...	...	+0.05
900--INTEREST:									
BUDGET AUTHORITY	121.75	140.00	147.15	115.00	119.30	110.85	-6.75	-20.70	-36.30
OUTLAYS	121.75	140.00	147.15	115.00	119.30	110.85	-6.75	-20.70	-36.30
920--ALLOWANCES:									
BUDGET AUTHORITY	-0.60	0.95	0.85	-1.05	0.20	0.50	-0.45	-0.75	-0.35
OUTLAYS	-0.55	1.10	1.10	-0.85	0.50	0.90	-0.30	-0.60	-0.20
950--UNDISTRIBUTED OFFSETTING RECEIPTS:									
BUDGET AUTHORITY	-40.35	-47.90	-52.75	-43.65	-49.50	-50.85	-3.30	-1.60	+1.90
OUTLAYS	-40.35	-47.90	-52.75	-43.65	-49.50	-50.85	-3.30	-1.60	+1.90

HISTORICAL PERSPECTIVE ON FUNCTIONAL OUTLAYS

IN FISCAL YEARS
IN BILLIONS OF DOLLARS

		ACTUALS				SECOND BUDGET RESOL.	REVISED 2ND RES.	OMB REESTIMATED BY CBO			CHAIRMAN'S RECOMMENDATION		
	FUNCTION	1978	1979	1980	1981	1982	1982	1983	1984	1985	1983	1984	1985
050	NATIONAL DEFENSE	105.20	117.70	135.85	159.75	188.80	190.80	223.15	255.05	294.30	212.60	235.85	266.45
150	INTERNATIONAL AFFAIRS	5.90	6.10	10.75	11.15	11.15	11.45	12.15	12.75	13.05	12.10	12.30	12.30
250	GENERAL SCIENCE, SPACE AND TECHNOLOGY	4.80	5.05	5.70	6.35	7.00	7.00	7.65	7.80	7.40	7.25	7.35	7.25
270	ENERGY	5.85	6.85	6.30	10.30	6.00	6.50	4.35	3.50	3.30	5.00	4.05	3.85
300	NATURAL RESOURCES AND ENVIRONMENT	10.90	12.10	13.80	13.50	12.40	12.85	10.50	9.30	8.45	10.85	9.85	8.85
350	AGRICULTURE	7.70	6.20	4.80	5.60	4.50	13.80	10.25	7.80	7.15	10.10	8.25	7.50
370	COMMERCE AND HOUSING CREDIT	3.35	2.60	7.80	3.95	4.00	3.75	1.80	1.50	0.30	2.95	2.60	2.60
400	TRANSPORTATION	15.45	17.45	21.10	23.40	20.40	21.45	19.40	18.80	19.35	20.00	19.65	19.85
450	COMMUNITY AND REGIONAL DEVELOPMENT	11.05	9.55	10.05	9.40	8.70	8.65	7.70	7.40	7.55	7.90	7.60	7.70
500	EDUC., TRAINING, EMPLOYMENT AND SOC. SERV	26.45	29.70	30.75	31.40	26.85	28.20	22.60	20.40	18.30	27.45	27.90	28.10
550	HEALTH	41.25	46.95	55.20	66.00	73.35	73.75	78.05	85.90	94.80	80.10	89.65	101.25
600	INCOME SECURITY	146.20	160.15	193.10	225.10	239.70	251.55	267.00	281.70	302.55	273.05	289.75	312.00
700	VETERANS BENEFITS AND SERVICES	19.00	19.90	21.20	23.00	24.05	23.80	23.80	24.80	26.45	23.05	23.85	24.75
750	ADMINISTRATION OF JUSTICE	3.80	4.15	4.55	4.70	4.45	4.65	4.70	4.65	4.55	4.65	4.60	4.60
800	GENERAL GOVERNMENT	3.70	4.10	4.50	4.60	4.90	5.05	5.15	5.05	4.95	4.85	4.60	4.50
850	GENERAL PURPOSE FISCAL ASSISTANCE	9.60	8.35	8.60	6.90	6.40	6.35	6.50	6.70	6.80	6.50	6.70	6.85
900	INTEREST	43.95	52.55	64.50	82.50	85.70	102.35	121.75	140.00	147.15	115.00	119.30	110.85
920	ALLOWANCES	...	...	...	...	...	1.90	-0.55	1.10	1.10	-0.85	0.50	0.90
950	UNDISTRIBUTED OFFSETTING RECEIPTS	...	-18.50	-21.95	-30.30	-32.90	-30.25	-40.35	-47.90	-52.75	-43.65	-49.50	-50.85
	TOTAL	464.15	490.95	576.60	657.30	695.45	743.60	785.60	846.30	914.75	778.90	824.85	879.30

HISTORICAL PERSPECTIVE ON FUNCTIONAL OUTLAYS AS A PERCENT OF TOTAL BUDGET OUTLAYS

IN FISCAL YEARS

		ACTUALS				SECOND BUDGET RESOL.	REVISED 2ND RES.	OMB REESTIMATED BY CBO			CHAIRMAN'S RECOMMENDATION		
	FUNCTION	1978	1979	1980	1981	1982	1982	1983	1984	1985	1983	1984	1985
050	NATIONAL DEFENSE	22.7	24.0	23.6	24.3	27.2	25.7	28.4	30.1	32.2	27.3	28.6	30.3
150	INTERNATIONAL AFFAIRS	1.3	1.2	1.9	1.7	1.6	1.5	1.6	1.5	1.4	1.6	1.5	1.4
250	GENERAL SCIENCE, SPACE AND TECHNOLOGY	1.0	1.0	1.0	1.0	1.0	0.9	1.0	0.9	0.8	0.9	0.9	0.8
270	ENERGY	1.3	1.4	1.1	1.6	0.9	0.9	0.6	0.4	0.4	0.6	0.5	0.4
300	NATURAL RESOURCES AND ENVIRONMENT	2.4	2.5	2.4	2.1	1.8	1.7	1.3	1.1	0.9	1.4	1.2	1.0
350	AGRICULTURE	1.7	1.3	0.8	0.9	0.7	1.9	1.3	0.9	0.8	1.3	1.0	0.9
370	COMMERCE AND HOUSING CREDIT	0.7	0.5	1.4	0.6	0.6	0.5	0.2	0.2	0.0	0.4	0.3	0.3
400	TRANSPORTATION	3.3	3.6	3.7	3.6	2.9	2.9	2.5	2.2	2.1	2.6	2.4	2.3
450	COMMUNITY AND REGIONAL DEVELOPMENT	2.4	2.0	1.7	1.4	1.3	1.2	1.0	0.9	0.8	1.0	0.9	0.9
500	EDUC., TRAINING, EMPLOYMENT AND SOC. SERV	5.7	6.1	5.3	4.8	3.9	3.8	2.9	2.4	2.0	3.5	3.4	3.2
550	HEALTH	8.9	9.6	9.6	10.0	10.6	9.9	9.9	10.2	10.4	10.3	10.9	11.5
600	INCOME SECURITY	31.5	32.6	33.5	34.3	34.5	33.8	34.0	33.3	33.1	35.1	35.1	35.5
700	VETERANS BENEFITS AND SERVICES	4.1	4.1	3.7	3.5	3.5	3.2	3.0	2.9	2.9	3.0	2.9	2.8
750	ADMINISTRATION OF JUSTICE	0.8	0.9	0.8	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.5
800	GENERAL GOVERNMENT	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.6	0.5	0.6	0.6	0.5
850	GENERAL PURPOSE FISCAL ASSISTANCE	2.1	1.7	1.5	1.1	0.9	0.9	0.8	0.8	0.7	0.8	0.8	0.8
900	INTEREST	9.5	10.7	11.2	12.6	12.3	13.8	15.5	16.5	16.1	14.8	14.5	12.6
920	ALLOWANCES	...	...	...	...	...	0.3	-0.1	0.1	0.1	-0.1	0.1	0.1
950	UNDISTRIBUTED OFFSETTING RECEIPTS	...	-3.8	-3.8	-4.6	-4.7	-4.1	-5.1	-5.7	-5.8	-5.6	-6.0	-5.8
	TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

III. PROVISIONS OF LAW RELATING TO THE RESOLUTION

BLANK PAGE

Provisions of Law Relating to the First Budget Resolution

The First Budget Resolution for Fiscal Year 1983 provides the basis for reducing unacceptably high budget deficits over the next few fiscal years. The recommended budget resolution provides for reconciliation in fiscal years 1983, 1984, and 1985; it implements an optional budget procedure of delayed enrollment for certain spending bills; it provides for an automatic second budget resolution; it includes a requirement that committees report their 302(b) allocations before spending bills can be considered; it sets a target on Federal credit activities, broken down by functional categories; and it revises the Second Budget Resolution for Fiscal Year 1982. Pursuant to P.L. 96-38, adoption of the conference report on the First Budget Resolution for Fiscal Year 1983 will set into motion the process for determining the public debt limit for fiscal years 1982 and 1983.

CONTENT OF BUDGET RESOLUTION

Section 310(a) of the Congressional Budget Act requires that, on or before May 15 of each year, the Congress shall complete action on the first budget resolution. That resolution is to provide targets to guide Congress during its subsequent consideration of spending and revenue legislation by setting the appropriate total levels of outlays, new budget authority, revenues, surplus or deficit, and public debt.

Section 301(a) provides:

> SEC. 301. (a) ACTION TO BE COMPLETED BY MAY 15.—On or before May 15 of each year, the Congress shall complete action on the first concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth—
>
> (1) the appropriate level of total budget outlays and of total new budget authority;
>
> (2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions, based on allocations of the appropriate level of total budget outlays and of total new budget authority;
>
> (3) the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;
>
> (4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;
>
> (5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and
>
> (6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

FEDERAL CREDIT CONTROL

Section 301(a)(6) of the Act provides for the inclusion in a budget resolution of "such other matters relating to the budget as may be appropriate to carry out the purposes of this Act." The Budget Committee has long been concerned about the impact of Federal credit activities on financial markets, the economy, and the Federal budget. As a step toward establishing better controls over these programs, the recommended budget resolution includes targets for the aggregate amount and functional amounts of new direct loan obligations and new loan guarantee commitments which the Federal Government may incur or enter into during fiscal year 1983.

After an initial period of experience with targets for credit activities, it may be advisable to place ceilings on aggregate levels as a means of exercising further control in this area.

IMPLEMENTATION PROCEDURES

The large reductions in the Federal deficit proposed in the recommended budget resolution will require extraordinary discipline and restraint. To implement the policies for reducing the deficit, the recommended budget resolution proposes five enforcement procedures: reconciliation for fiscal years 1983, 1984, and 1985; an automatic second budget resolution; deferred enrollment of any spending measure which exceeds the committee's spending allocation; a requirement that committees report their section 302(b) allocations before any of their spending legislation may be considered; and guidelines for allocations under section 302(b). The authority for these procedures is found in section 301(b) of the Budget Act, which provides:

> (b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The first concurrent resolution on the budget may also require—
>
> (1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent resolution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution, or both; and
>
> (2) any other procedure which is considered appropriate to carry out the purposes of this Act.

Provisions Authorized by Section 301(b)(1) of the Budget Act. Section 301(b)(1) authorizes Congress, by means of its first budget resolutin, to require that certain appropriation and entitlement bills for the ensuing fiscal year not be sent to the President until the congressional budget process has been completed for that year.

Delayed Enrollment of Spending Bills

The recommended resolution would require that all spending bills, including both appropriation and entitlement bills, which exceed the section 302 allocation by the committees pursuant to the first budget resolution not be enrolled until after adoption of the second budget resolution.

Provisions Authorized by Section 301(b)(2) of the Budget Act. Section 301(b)(2) of the Act provides that the first budget resolution may require any procedure "which is considered appropriate to carry out the purposes of this Act."

Reconciliation Process

Congress has interpreted section 301(b)(2) of the Budget Act to allow reconciliation instructions in the First Budget Resolutions for Fiscal Years 1981 and 1982. The proposed resolution contains reconciliation instructions directing House and Senate committees to consider legislation to reduce spending and increase revenues for fiscal years 1983, 1984, and 1985 sufficient to achieve the deficit reducing targets.

The reconciliation process contemplated in the recommended budget resolution would follow the procedures outlined in section 310 of the Budget Act.

Section 310(a) provides that reconciliation instructions shall direct changes in new budget authority, carryover budget authority from prior fiscal years, and spending authority.

Implementation of the changes directed in the budget resolution would be handled by the committees with jurisdiction over the particular legislation. The Budget Committees would become involved in the process only if more than one committee must report implementing legislation, and their role would be limited to assembling the parts prepared by the various committees into a single bill or resolution.

Section 310 provides:

> SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—The Committee on the Budget of each House shall report to its House a concurrent resolution on the budget which reaffirms or revises the concurrent resolution on the budget most recently agreed to with respect to the fiscal year beginning on October 1 of such year. Any such concurrent resolution on the budget shall also, to the extent necessary—
>
> (1) specify the total amount by which—
>
> (A) new budget authority for such fiscal year;
>
> (B) budget authority initially provided for prior fiscal years; and
>
> (C) new spending authority described in section 401 (c) (2)
>
> (C) which is to become effective during such fiscal year, contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;
>
> (2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;
>
> (3) specify the amount by which the statutory limit on the public debt is to be changed and direct the committees having jurisdiction to recommend such change; or
>
> (4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).
>
> Any such concurrent resolution may be reported, and the report accompanying it may be filed, in either House notwithstanding that that House is not in session on the day on which such concurrent resolution is reported.
>
> (b) COMPLETION OF ACTION ON CONCURRENT RESOLUTION.—Not later than September 15 of each year, the Congress shall complete action on the concurrent resolution on the budget referred to in subsection (a).
>
> (c) RECONCILIATION PROCESS.—If a concurrent resolution is agreed to in accordance with subsection (a) containing directions to one or more committees to determine and recommend changes in laws, bills, or resolutions, and—
>
> (1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House a reconciliation bill or reconciliation resolution, or both, containing such recommendations; or
>
> (2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations, whether such changes are to be contained in a reconciliation bill or reconciliation resolution, and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a reconciliation bill or reconciliation resolution, or both, carrying out all such recommendations without any substantive revision.
>
> For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.
>
> (d) COMPLETION OF RECONCILIATION PROCESS.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (c) not later than September 25 of each year.

Automatic Second Budget Resolution

The recommended resolution would provide that the first budget resolution would become binding on September 15, 1982, unless Congress had adopted a second budget resolution by that time, and remain binding until a subsequent budget resolution were adopted.

Requiring Committees to File a Section 302(b) Report

The Budget Act requires committees to report to the House and Senate their 302(b) allocations "as soon as practicable" after a budget resolution is adopted. The recommended resolution includes a provision which would enforce this requirement by prohibiting consideration by the House or Senate of any spending legislation if the committee with jurisdiction over the legislation had not filed its 302(b) report. It would also provide guidelines for committees to follow in making their allocations pursuant to section 302(b).

REVISIONS OF BUDGET RESOLUTIONS

Section 304 provides the authority to revise the budget resolution whenever necessary during the fiscal year.

Section 304 states:

> SEC. 304. At any time after the first concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises the concurrent resolution on the budget for such fiscal year most recently agreed to.

Pursuant to the authority of section 304, the recommended budget resolution revises the Second Concurrent Resolution on the Budget for Fiscal Year 1982.

PUBLIC DEBT LIMIT

Pursuant to P.L. 96-38, enacted September 29, 1979, the debt limit for fiscal years 1982 and 1983 will be the amounts specified in the most recently approved conference report accompanying a concurrent resolution on the budget for such fiscal years.

The procedure in the House blends the public debt limit into the congressional budget process which, by setting the budget totals, determines what amount of debt must be outstanding.

The amount approved in the resolution then becomes the substance of a joint resolution to be sent to the Senate for its approval. After favorable action by the Senate, the Joint resolution is forwarded to the President for his signature.

Legislative jurisdiction over the public debt remains in the Committee on Ways and Means. The proposed procedure does not preclude that Committee from originating public debt bills whenever necessary.

IV. ECONOMIC OUTLOOK

BLANK PAGE

IV. ECONOMIC OUTLOOK AND ECONOMIC ASSUMPTIONS

Current State of the Economy

The U.S. economy is now in a recession caused by high interest rates. The decline in output has not been exceptionally great, compared with other postwar recessions. However, this recession differs from most other postwar recessions in that it began when recovery from the previous recession was incomplete. The 1980-81 recovery, the shortest since 1920, lasted only 12 months, reduced the unemployment rate only to 7.2 percent, and raised manufacturing capacity utilization only to 80.0 percent. The recovery ended in July 1981, and the recession since then has raised unemployment to a postwar record high and idle plant capacity to a level previously seen only in the severe recession of 1974-75. Unemployment in April 1982 reached 10.3 million workers, or 9.4 percent of the labor force, the highest rate since 1941. Including over 1.3 million discouraged workers and 5.8 million employed part-time for economic reasons, about 17½ million workers now have no work or less than they desire. Factory utilization in March was 71.4 percent, close to its 1975 low of 69 percent.

Although unemployment may rise further, a recovery is likely to begin fairly soon. The expected slowing in inventory liquidation after the record $40 billion run-off in the first quarter may lead to a rise in output beginning sometime in the current quarter. In the third quarter, there is likely to be further impetus to growth as a result of demand-side fiscal stimulus from the scheduled reduction in personal income tax withholding and the July cost-of-living increase for social security recipients. This short-term recovery may begin to reduce unemployment from its expected peak later in the year. Because this early stage of recovery is grounded in a return to constant inventory levels, rather than an inventory buildup, and in improved cash flow to consumers, it may not be blocked immediately by rising interest rates. As noted below, however, the prospects for continued and sustained recovery in 1983 and beyond are poor under current fiscal and monetary policies.

It should be noted that most of the provisions of the Economic Recovery Tax Act (ERTA) intended to increase growth through supply-side effects are already in place. The accelerated depreciation provisions went into effect for investment made in or after January 1981. Savings incentives such as the All Savers certificate and the expanded Individual Retirement Account provisions are also already in effect. While the second reduction in withholding does not take place until July, the effective reduction in marginal tax rates applies to all income earned during the year, so that any increase in saving and work effort resulting from 1982 tax changes should have begun at the beginning of 1982 or earlier, not when the withholding tables change.

The core of the Reagan economic program is the combination of tight money to reduce inflation and reduction in marginal tax rates to expand output and employment through supply-side effects. The policy of monetary tightening has been in effect at least since the beginning of 1981. A 10 percent reduction in marginal income tax rates has been in effect at least since January 1982, with a 28 percent reduction in marginal income tax rates on capital income for high bracket taxpayers in effect since June, 1981. Whatever the successes this policy has scored against inflation, it has failed to bring down interest rates significantly or prevent the most serious recession of the postwar period. The administration is now counting on Keynesian demand stimulus, which it has previously ridiculed, to end this recession.

If present budget and monetary policies are not changed significantly, interest rates are expected to rise later in the year, after some near-term rate declines caused by the recession and the attendant inventory liquidation. To finance the fiscal stimulus of the third quarter, the Treasury has just announced that it will have to raise $32 to $37 billion of net new cash in the July-September quarter. The total deficit for the current fiscal year is projected to be $119 billion and to rise steadily to about $182 billion in Fiscal Year 1983, $216 billion in Fiscal Year 1984, and $233 billion in Fiscal Year 1985 under current tax and spending policies. Meanwhile, the administration remains committed to a Federal Reserve policy which holds money growth to 5.5 percent or lower over the current calendar year and reduces money growth each year to a rate of about 3½ percent in 1986. Reputable economists and financial analysts are nearly unanimous in their view that this clash of policies will result in high real interest rates if the Federal Reserve sticks to the policy prescribed by the administration, or to higher inflation and high nominal interest rates if the Federal Reserve is forced to accommodate the huge deficits by allowing money growth to re-accelerate. Either view leads to expectations that nominal interest rates will be high in the future. As a result, long-term lenders have demanded and been able to receive unusually high interest rates, in spite of decelerating inflation and deep recession.

Short-term rates have also declined less than would have been expected considering the depth of the recession. Short-term borrowing demands have remained heavy in spite of inventory liquidation; continued heavy Treasury borrowing, distress borrowing by some businesses, and continued short-term borrowing by other businesses unwilling to borrow long-term at today's long-term rates have all contributed to upward pressures on short rates. In addition, increases in deposits in interest-bearing checking accounts have been unusually large, driving money growth above the Federal Reserve's restrictive target range and thus adding to upward pressure on interest rates.

While these high rates will not deter a short-term resurgence in consumption spending or the return of production to a more normal relationship with sales, they will place a heavy burden on the credit-sensitive sectors of the economy -- housing, business fixed investment, and the auto industry. The housing industry, which traditionally leads the rest of the economy out of recession, has not been able to reach a level of one million starts (annual rate) for eight consecutive months. Businesses now anticipate that their capital spending will decline 1 percent, in real terms, in 1982 compared with 1981.

Inflation as measured by the Consumer Price Index has slowed dramatically; the CPI declined in March, and over the past 3 months only rose at a 1 percent annual rate. In part, this very low rate reflects developments associated with favorable supply conditions for oil and farm products; excluding food and energy, the 3-month rate of inflation was 3 percent. Another factor has been the decline in home prices, brought about by extremely tight mortgage market conditions; excluding homeownership and the volatile used car sector as well, the "core" rate of inflation, which in the long-term responds mainly to unit labor costs in the private nonfarm economy, was up 4.1 percent over the past 3 months, and 7.6 percent over the past year, compared with 8.6 percent during 1981 and 9.4 percent during 1980.

The rate of increase over the year in labor compensation has been brought down to 8.4 percent, compared with 10 percent during 1980, but hourly labor costs were still increasing at an 8.4 percent rate in the first quarter. It thus appears that a policy of sustained pressure on the money supply and high interest rates has brought about a deceleration in inflation. However, measured price inflation is exceptionally low relative to increases in compensation and unit labor costs at the present time, resulting in a sharp reduction in profit margins to very low levels and suggesting that some of the gains in inflation may be only temporary.

High interest rates and recession, of course, have also reduced inflation. These gains against inflation cannot be disassociated from the recession, and the costs incurred during the recession are the costs of reducing inflation by relying on restrictive monetary policy alone. These costs include:

* Nearly 2½ million more persons unemployed, since July 1981.
* Nearly 300,000 more persons who want a job but have given up looking.
* 1.8 million more people who are working part-time because of the state of the economy when they would prefer full-time work.
* Nullification of the investment incentives put into place last year by high interest rates and the low utilization of existing plant capacity.
* Losses by the savings and loan industry amounting to $4.6 billion in 1981, which could climb to $6 billion in 1982.
* Commercial and industrial business failures, which rose 45 percent in 1981 and in 1982 are running 50 percent above the already-high 1981 rate.

Even in the sectors in which inflation improvement results from commodity supplies or favorable developments in the terms of trade, there have been substantial costs to the economy:

* As farm prices have dropped, farm incomes have plunged 26 percent.
* High interest rates have raised the value of the dollar relative to other countries' currencies, thereby holding down the prices of imported goods and services to U.S. consumers, and devastating U.S. exporting and import-competing industries.
* The recent fall in petroleum prices tends to reduce the incentives for energy production and conservation in the U.S.

Fiscal Policy -- The Need for Deficit Reduction

Record high and increasing budget deficits are projected during the coming years, under the fiscal policy now in effect. However, budget revenues and outlays, and therefore the deficit, are very sensitive to the level of economic activity. A stronger economy produces higher tax receipts and lower outlays for programs sensitive to the unemployment rate and a correspondingly lower deficit. Conversely, the budget deficit is higher during periods of economic weakness. If the projected large increases in the deficit resulted from weakened economic activity, rather than from changes in tax and spending policies, they would not represent a more stimulative fiscal policy.

Changes in the stimulative force of fiscal policy can be measured by that part of the deficit that would remain even at a high level of economic activity, with increased revenues and lower spending for programs sensitive to the unemployment rate. The high-employment budget, which estimates revenues and expenditures at a constant unemployment rate (here assumed to be 6 percent) associated with a relatively high level of economic activity, provides an indication of the tenor of fiscal policy, by excluding from budget calculations the effect of a weak economy.

The unified and high-employment deficits for the markup baseline, the administration's April budget, as reestimated by CBO, and the recommended policies are shown in the table below. The "markup baseline" reflects tax policies now in place, the administration's defense program, and current policy for other spending. Both sets of figures are estimated on the economic assumptions agreed to by the administration and the Senate Budget Committee during the budget compromise discussions. As noted in the following section, these economic assumptions are not consistent with these fiscal policies, because such large deficits will produce high interest rates and prevent the attainment of the growth projected in the assumptions.

As the high-employment budget estimates show, fiscal policy becomes increasingly stimulative over the next five years. In 1982 about 66 percent of the deficit under the markup baseline is attributable to economic activity below potential; the projected $119 billion deficit would be about $40 billion at a 6 percent unemployment rate. The remaining 34 percent of the deficit can be considered "structural." CBO's reestimate of the administration's budget shows very similar figures for 1982. In 1982, therefore, about two-thirds of the deficit results from a weak economy.

In succeeding years the situation changes drastically. By 1985, 75 percent of the deficit under the markup baseline is structural and not attributable to an economic weakness. CBO's reestimate of the administration's budget shows the same trend. By 1987, 67 percent of the deficit under the administration's proposals would be structural. Even if the economy were to operate at a level consistent with a six percent rate of unemployment and all the administration's proposals were enacted, the budget deficit would still be $101 billion. The growing structural deficit produced by the administration's budget is a prime reason for its failure to gain acceptance. Table 2 shows the rapid increase in the national debt and net interest fueled by those large structural deficits and the significantly smaller increases produced by the recommended policies.

These large and growing high-employment deficits have serious economic implications. In the past, such stimulative fiscal policy in an economy near high employment has added inflationary pressure to the economy, and the present very high interest rates no doubt reflect a fear that these extraordinarily large deficits will be monetized in the future, thereby raising inflation and interest rates.

However, under the restrictive long-term monetary policy proposed by the administration, stimulative fiscal policy will have different consequences. Instead of principally producing more rapid growth and higher inflation, stimulative fiscal policy will clash with restrictive monetary policy to produce high interest rates. These high interest rates may crowd out private investment, even while unemployment of labor and capital remain high, and reduce long-term growth. Lower investment, in turn, will impede progress in raising productivity and ending stagflation. Without swift and credible reductions in these large projected structural deficits, the high real interest rates resulting from this monetary and fiscal policy clash will hold economic activity below the levels projected in these fiscal policy recommendations. This contradiction between fiscal and monetary policies is likely to produce a more unstable economy as well, with periods of short recovery alternating with periods of recession as the economy responds to the gyrations in interest rates.

The recommended policies resolve this contradiction. As shown in Table 1, these policies produce declining deficits; more important, the high-employment deficit declines and, in fact, reaches a surplus of $31 billion by 1985. The responsible, restrained fiscal policy contained in the Committee recommendation, combined with moderate monetary restraint, can lower interest rates and spur sustainable economic recovery.

TABLE 1
Unified and High Employment Budget Deficits
(Fiscal Years, $ billions)

	Actual	Projected			
	1981	1982	1983	1984	1985
Unified Budget Deficit					
Markup Baseline	-57.9	-119	-182	-216	-233
Percent of GNP	-2.0	-3.9	-5.4	-5.7	-5.6
Administration's budget reestimated	-57.9	-114	-130	-127	-116
Percent of GNP	-2.0	-3.7	-3.8	-3.4	-2.8
Recommended Policies	-57.9	-121	-103	-72	-33
Percent of GNP	-2.0	-4.0	-3.0	-1.9	-0.7
High Employment Budget Deficit					
Markup Baseline	-25	-40	-108	-153	-175
% of high-employment GNP	-0.8	-1.2	-3.0	-3.9	-4.0
Administration's budget reestimated	-25	-34	-54	-63	-57
% of high-employment GNP	-0.8	-1.1	-1.5	-1.6	-1.3
Recommended Policies	-25	-41	-26	-4	31
% of high-employment GNP	-0.8	-1.3	-0.7	-0.1	+0.7
Structural Deficit as Proportion of Unified Deficit					
Markup baseline	43%	34%	59%	71%	75%
Administration's budget reestimated	43%	30%	42%	50%	49%
Recommended Policies	43%	34%	25%	6%	Surplus

TABLE 2

National Debt (subject to limit) and Net Interest

(Fiscal years, $ billions)

	Actual 1981	1982	1983	1984	1985
Debt at end of year					
Markup Baseline	999	1142	1350	1594	1861
Percent of GNP	35%	37%	40%	42%	45%
Administration Budget reestimated	999	1138	1297	1451	1604
Percent of GNP	35%	37%	38%	38%	39%
Recommended Policies	99%	1147	1277	1376	1446
Percent of GNP	35%	38%	38%	36%	35%
Net Interest					
Markup Baseline	69	86	109	134	147
Percent of GNP	2.4%	2.8%	3.2%	3.6%	3.5%
Administration Budget reestimated	69	85	103	119	122
Percent of GNP	2.4%	2.8%	3.0%	3.1%	2.9%
Recommended Policies	69	86	96	99	90
Percent of GNP	2.4%	2.8%	2.8%	2.6%	2.2%

Economic Outlook for 1982 and 1983

The economic prospects for the next twelve to eighteen months are dominated by the outcome of the current economic policy debate. The mix of fiscal and monetary policies is more crucial now than at any time in recent years because the shifts built into current policy, and those which are contemplated, are so large relative to the size of the economy. Virtually all private forecasters have assumed that some agreement to reduce the Federal deficit is reached before the end of 1982 and that monetary policy allows interest rates to fall significantly.

The economic assumptions shown in Table 3 would not be consistent with current policies but rather embody the view that the proposed budget aggregates must be accompanied by a monetary policy and corresponding interest rates consistent with the assumed growth in nominal incomes. The present recession, which began in July 1981, was primarily caused by depression in interest-sensitive sectors of the economy. Only during the past three to four months has the economy shown the signs of a normal inventory cycle. Business inventories are expected to move into line with improving sales so that increases in final sales will be translated into larger increases in production when restocking occurs. The moderate growth in real GNP forecast for the second half of 1982 assumes that interest rates will be allowed to decline far enough to revive the affected industries by late summer.

The major positive factor in the economic outlook for the remainder of 1982 is the decline in inflation. The analysis above has indicated that this has been in part the product of a confluence of events in primary commodity markets which dramatically reduced pressure on the overall price level. Measures of increases in labor and capital costs remain substantially above the recently reported inflation rates, and, as commodity prices stabilize over the coming months, these more fundamental price determinants should drive the inflation rate in the second half of 1982 and beyond. For example, unit labor costs of nonfarm businesses increased at an 8.1 percent annual rate in the first quarter of 1982. Therefore, the economic assumptions show inflation much lower in 1982 than experienced during 1981, but remaining about 7 percent during 1983.

The forecast of real growth during the second half of 1982 and 1983 assumes that consumer spending will turn up strongly due to the infusion of purchasing power from the July 1982 cut in withholding combined with higher social security outlays. Investment in plant and equipment will turn up later as interest rates fall and capacity utilization nears more normal levels in 1983. While the tax incentives for new investment contained in the Accelerated Cost Recovery System probably had a beneficial effect on the economy in the second half of 1981, the impact of high real and nominal interest rates and low utilization rates of existing capital should outweigh them for much of 1982. If the proposed change in the mix of fiscal and monetary policies is made, the reversal of adverse conditions in 1983 will promote reasonably strong increases in business investment.

Real GNP is forecast to grow 1.6 percent in 1982 on a fourth quarter to fourth quarter basis and 4.5 percent during 1983. Unemployment, which is rising during the current quarter, should decline gradually as the economy recovers; it is projected to average 9.1 percent in 1982 and 8.4 percent in 1983.

As noted above, interest rates are the key to the realization of the forecast. The assumed Treasury-bill interest rate incorporates the anticipated effects on financial markets of the reduced Federal deficits which result from the recommended budget policy and monetary growth sufficient to sustain the forecast increase in nominal Gross National Product. If such a course is followed, market interest rates should be significantly reduced by the beginning of 1983. Market interest rates are assumed to begin to decline in the second half of 1982 from the paths which they would follow in the absence of policy changes. By early 1983 this reduction is assumed to be 2½ percentage points on short-term market rates. Real interest rates will return to lower levels because the high risk of capital losses now attached to debt securities due to volatility of the financial markets and uncertainty about the size of future Federal credit absorption will be alleviated.

Risks in the 1982 and 1983 Forecast

The economic assumptions represent a judgment about the most likely course of the economy if the proposed policies are adopted. They incorporate recent information about incomes, production, unemployment, interest rates, prices, and the financial markets. However, the forecast is subject to considerable risks due to instability in primary commodity markets, the imminence of a business cycle turning point, and the uncertainty about the course of fiscal and monetary policies.

It cannot be emphasized too strongly that the forecast for 1982 and 1983 is conditional on the adoption of an altered policy mix. The financial markets have long been expressing their apprehension about the collision course of current policies. Unless there is a successful redirection, the path of the economy on which this proposed budget is based cannot be realized. Interest rates will remain high, choking off recovery for a second time in two years, and savings will flow to finance the rising deficits and not into productive business investment and housing. The forecast under such a scenario would be for significantly lower real growth and higher unemployment, in 1982 and 1983, and perhaps lower inflation in the near term as wages are held down by high unemployment. In addition, inflationary pressures may later be renewed as business costs rise in a continuation of the cycle of the late 1970's.

Price developments could also affect the outcome significantly over the next year. As noted above, price increases have recently been extremely low due to temporary circumstances. While such circumstances could continue to depress energy, food and industrial raw materials prices in 1982, it would be imprudent to assume such good fortune for consumers when in the past such price trends usually have been soon arrested, and often reversed. These assumptions therefore do not incorporate a substantial further drop in energy and other commodity prices as some forecasters have. On the other hand, considering the volatile situation in world petroleum markets, some analysts have concluded that oil prices can be expected to rapidly rise to levels above previous highs. This would mean a complete reversal of the energy price declines which have lowered measured inflation in 1982, an outcome which is also rejected here.

Inflation could also be increased somewhat by any imposition of energy import fees or other excise taxes. Excise taxes enter directly into the price indexes, and most of any energy tax increase would quickly be reflected in the inflation rate as energy producers passed the tax through to consumers. Another danger is that if interest rates rise rather than fall, the housing component of the CPI as now constructed might again begin to pull up the measured inflation rate.

Longer Term Economic Outlook

The adoption of a restrained and equitable fiscal plan in conjunction with a moderate anti-inflationary monetary policy over the coming five years is expected to allow the economy to sustain balanced growth without a reacceleration of inflation. The projections in Table 4 for the period to 1987 show the economy growing somewhat faster than the probable long run potential rate with a gradual decline in the inflation rate. In a sense, this shows the achievement of a desirable set of economic goals. There is disagreement on how rapidly these economic goals can be attained, and what policies are consistent with them.

The projected improvement in the economy results from policies to encourage investment in both human and physical capital, increase national saving, and provide an equitable level of government services to those who require them. The economy can grow at a rate in excess of its long run potential without inflationary pressures accumulating because a significant gap between actual and potential output has opened up as a result of three years of economic stagnation. However, excessive optimism about the rate of progress which can be made in closing that gap will obscure the magnitude of the budgetary problem before us.

The economic projections for 1984 to 1987 are subject to even greater uncertainty than the shorter term forecast for 1982 and 1983. They do not assume unfavorable shocks to the economy from outside forces which have caused severe economic disruption in the past. During the 1970's these outside factors included poor world food harvests and skyrocketing energy and industrial commodity prices. Future shocks of this type are of unpredictable nature, magnitude, and timing, so they should not be included in such projections. However, because most outside shocks to the economy in the past have resulted in downward deviations from steady, noninflationary growth, all trend projections are essentially optimistic.

TABLE 3
HBC MARKUP ECONOMIC ASSUMPTIONS

	Calendar Years		
	Actual	-------Forecast--------	
	1981	1982	1983
Annual Averages			
Gross National Product:			
Current dollars (billion $)	2,925.5	3,116.4	3,492.7
percent change	11.4	6.5	12.1
Constant dollars (billion 1972 $)	1,510.3	1,497.1	1,564.3
percent change	2.0	-0.9	4.5
GNP deflator (percent change)	9.2	7.4	7.3
CPI (percent change)	10.3	6.9	6.9
Unemployment rate (percent)	7.6	9.1	8.4
Three-month Treasury bill rate (percent)	12.0	10.7	8.8
Taxable incomes (billion $):			
Wages and salaries	1,483	1,577	1,733
Corporate profits *	234	206	248
4th Quarter-to-4th Quarter percent change			
Gross National Product:			
Current dollars	9.8	8.6	11.6
Constant dollars	0.9	1.6	4.4
GNP deflator	8.9	6.9	6.9
CPI	9.6	5.8	7.2
Unemployment rate (percent, 4thQ level)	8.4	9.1	8.0

---

*After accounting for increased depreciation charges due to the Accelerated Cost Recovery System provisions of the Economic Recovery Tax Act of 1981.

TABLE 4

COMPARISON OF COMMERCIAL ECONOMIC FORECASTS

	1981	1982				1983			
	Actual	DRI	CHASE	WHARTON	BLUE CHIP	DRI	CHASE	WHARTON	BLUE CHIP
4th/4th Change (percent)									
GNP:									
Nominal	9.8	5.8	7.6	7.9	7.1	10.9	10.2	10.9	10.1
Real	0.9	0.5	1.6	2.0	1.5	3.8	3.8	4.6	3.7
GNP Deflator	8.9	5.2	5.9	5.8	5.5	6.8	6.1	5.9	6.2
CPI	9.6	4.2	5.0	3.7	4.7	5.0	6.5	5.6	6.1
Unemployment Rate (level - 4th qtr.)	8.4	9.2	8.9	8.5	8.8	8.4	8.2	7.8	8.2
T-bill Rate (level - 4th qtr.)	11.8	11.5	12.4	12.5	11.5	11.9	11.9	12.0	10.6
FY Deficit- Unified (bill $)	57.9	106.9	128.4	121.3	n/a	124.9	138.5	127.2	n/a
Year/Year Change (percent)									
GNP									
Nominal	11.4	4.9	6.0	6.3	6.0	10.1	10.5	11.0	10.0
Real	2.0	- 1.3	-0.8	-0.4	-0.7	3.4	4.0	4.5	3.6
GNP Deflator	9.2	6.4	6.8	6.7	6.7	6.5	6.3	6.2	6.2
CPI	10.3	5.6	6.1	5.2	6.0	6.2	6.4	5.3	6.0
Unemployment Rate (level-annual avg.)	7.6	9.1	9.0	8.8	9.0	8.7	8.4	8.1	8.5
T-bill Rate (level-annual avg.)	14.0	11.8	12.8	12.4	12.0	11.8	12.1	12.4	11.0
CY Deficit - NIA (bill $)	62.5	142.3	140.4	133.2	n/a	129.5	135.5	127.3	n/a

---

Forecast Dates:
DRI - April 26, 1982
Chase - April 26, 1982
Wharton - April 26, 1982
Blue Chip - May 10, 1982

TABLE 5
LONG-TERM ECONOMIC PROJECTIONS

	Calendar Years				
	Actual	Projections			
	1981	1982	1983	1984	1985
Annual Average - percent change					
Gross National Product (current dollars):					
HBC Markup	11.4	6.5	12.1	10.9	9.9
Administration-February 1982	11.4	8.1	11.5	10.2	9.7
CBO - February 1982	11.4	7.5	11.9	10.4	9.7
DRI - April 1982	11.4	4.9	10.1	10.9	10.9
Chase - April 1982	11.4	6.0	10.5	10.6	11.2
Wharton - April 1982	11.4	6.3	11.0	10.2	11.6
Real Gross National Product (1972 dollars):					
HBC Markup	2.0	-0.9	4.5	4.1	3.7
Administration	2.0	0.2	5.2	5.0	4.7
CBO	2.0	-0.1	4.4	3.6	3.5
DRI	2.0	-1.3	3.4	4.1	3.8
Chase	2.0	-0.8	4.0	3.9	3.6
Wharton	2.0	-0.4	4.5	3.8	5.0
GNP deflator:					
HBC Markup	9.2	7.4	7.3	6.6	6.0
Administration	9.2	7.9	6.0	5.0	4.7
CBO	9.2	7.5	7.3	6.6	6.0
DRI	9.2	6.4	6.5	6.6	6.9
Chase	9.2	6.8	6.3	6.4	7.4
Wharton	9.2	6.7	6.2	6.1	6.3

	Calendar Years				
	Actual	-------Projections-------			
	1981	1982	1983	1984	1985
CPI:					
HBC Markup	10.3	6.9	6.9	6.9	6.4
Administration	10.3	7.3	6.0	4.6	4.8
CBO	10.3	6.9	6.9	6.9	6.4
DRI	10.3	5.6	6.2	6.6	7.0
Chase	10.3	6.1	6.4	6.7	7.3
Wharton	10.3	5.2	5.3	6.3	6.4
Unemployment rate: (level-percent)					
HBC Markup	7.6	9.1	8.4	7.6	7.2
Administration	7.6	8.9	7.9	7.1	6.4
CBO	7.6	8.9	8.0	7.4	7.2
DRI	7.6	9.1	8.7	8.0	7.4
Chase	7.6	9.0	8.4	7.5	6.7
Wharton	7.6	8.8	8.1	7.6	6.6
Three-month Treasury bill rate* (level-percent):					
HBC Markup: Pre-policy	14.0	12.4	13.2	11.3	9.4
Post-policy	14.0	12.0	10.7	8.8	6.9
Administration	14.0	11.7	10.5	9.5	8.5
CBO	14.0	12.4	13.2	11.3	9.4
DRI	14.0	11.8	11.8	10.9	10.2
Chase	14.0	12.8	12.1	11.0	9.9
Wharton	14.0	12.4	12.4	11.1	11.3

*The HBC Markup post-policy interest rate assumptions are those agreed to in the budget negotiations between the House, Senate and the administration. They assume a reduction in short-term interest rates of 2½ percentage points by early 1983 resulting from large reductions in projected deficits similar to those contained in these recommendations.

BLANK PAGE

V. CREDIT BUDGET RECOMMENDATION

BLANK PAGE

V. CREDIT BUDGET RECOMMENDATIONS

Fiscal Year 1983 Recommendation

Credit Budget Totals
(In billions of dollars)

	CBO Baseline	President's April Budget	First Budget Resolution Recommendation
New direct loan obligations:			
On-budget.......................	38.90	29.45	33.70
Off-budget......................	28.05	21.50	27.20
Total direct loans...........	66.95	50.95	60.90
New loan guarantee commitments:			
Primary*........................	106.25	96.75	99.10
Secondary**.....................	73.30	38.40	68.25
Total loan guarantees........	179.55	135.15	167.35

*Primary loan guarantees are guarantees of loans held by the public for which a Federal agency or entity assures, in whole or in part, the repayment of principal and interest.

**Secondary loan guarantees are guarantees of loans previously guaranteed in some form by another Federal agency or entity. Secondary guarantees do not increase the contingent liability of the Federal Government.

1983 Credit Budget Recommendation

The fiscal year 1983 credit budget recommendation assumes aggregate credit targets of $60.90 billion for new direct loan obligations, $99.10 billion for new primary loan guarantee commitments, and $68.25 billion for secondary loan guarantee commitments. New direct loan obligations include $33.70 billion for on-budget agencies and $27.20 billion for off-budget agencies, primarily the Federal Financing Bank. The recommendation for credit activity subject to annual appropriation limits assumes a freeze at 1982 activity levels. For credit programs which are mandatory or otherwise not subject to annual limit, the recommendation generally assumes the latest CBO estimate. Many of these CBO estimates are in agreement with the administration's estimates for credit programs not subject to limit. The following table displays the First Budget Resolution recommendation for the 1983 credit budget by function:

Fiscal year 1983 Credit Budget, by Function
(In billions of dollars)

Function	Direct Loan Obligations*	Primary Guarantee Commitments	Secondary Guarantee Commitments
150 International Affairs...	10.85	8.95	...
250 General Science, Space, and Technology........	0.15	...	...
270 Energy..................	11.95	-0.85	...
300 Natural Resources and Environment...........	0.05	...	...
350 Agriculture.............	19.15	2.65	...
370 Commerce and Housing Credit................	12.15	40.10	68.25
400 Transportation..........	0.35	0.75	...
450 Community and Regional Development...........	1.95	0.50	...
500 Education, Training, Employment, and Social Services..............	0.85	7.25	...
550 Health..................	0.05	0.10	...
600 Income Security.........	2.05	18.70	...
700 Veterans Benefits and Services..............	1.05	20.95	...
800 General Government......	0.05	...	...
850 General Purpose Fiscal Assistance............	0.25	...	...
TOTAL.................	60.90	99.10	68.25

*Includes direct loan obligations from on-budget and off-budget agencies

---

Comparison to the President's 1983 Credit Budget

The President's revised April 1983 credit budget continues the basic policy of stringent reductions proposed in the administration's 1982 credit budget. The administration would continue to increase the amount of credit allocated by private market decisions. The general policy position of the President's credit budget is that allocation of credit to preferred sectors of investment through Federal direct loans and loan guarantees results in losses of economic efficiency which outweigh any social benefits gained by assuring that credit is available to those preferred sectors. The President's April credit budget proposes a total of $50.95 billion of direct loan obligations, $29.45 billion on-budget and $21.50 billion off-budget; $96.75 billion of primary loan guarantees; and $38.40 billion of secondary guarantees. These requested amounts are $16.0 billion below the CBO baseline estimate for direct loans, $9.5 billion below the baseline estimate for primary guarantees, and $34.9 billion below the baseline estimate for secondary guarantee.

The First Budget Resolution recommendation for the credit budget is $9.95 billion higher than the President's request for direct loan obligations, $2.35 billion higher than the President's request for primary loan guarantee commitments, and $29.85 billion higher than the request for secondary loan guarantee commitments. The major differences in direct loan obligations are in four programs. The recommendation assumes $3.0 billion for GNMA mortgage purchase commitments, the 1982 level, while the administration proposes to terminate this program. The recommendation estimates $10.5 billion for CCC price support loans based on a CBO reestimate of the President's budget, which assumes $8.35 billion for these loans in 1983. The recommendation assumes $5.18 billion for Agricultural Credit Insurance Fund loans subject to an annual limit, the 1982 level; the President's budget proposes a $1.45 billion reduction down to $3.74 billion. Finally, based on CBO's latest estimates, the recommendation estimates $5.3 billion more in FFB loan purchases than the President's budget. There are two major differences in primary loan guarantee recommendations between the President's budget and the recommendation. One of those differences, FHA mortgage insurance commitments, is a policy difference. The recommendation for 1983 is $40.0 billion, which is the same as 1982 limitation; the administration proposes a decrease down to $35.0 billion in 1983. The other major primary loan guarantee difference results from estimates. The administration estimates that $10.3 billion of student loans will be guaranteed in 1983; CBO estimates a student loan volume of $7.25 billion based on the changes enacted in the student loan program in 1981. The difference in secondary loan guarantee commitments are in the GNMA mortgage backed security program. The recommendation assumes $68.25 billion of these guarantees, the same as the 1982 limit; the administration proposes a reduction down to a limit of $38.4 billion in 1983.

Comparison to the CBO Baseline

The 1983 CBO baseline for credit programs reflects the enacted 1982 annual limits on credit activity plus inflation to maintain a real program level. For credit activity not subject to an annual limit, the baseline incorporates the latest CBO estimate of 1983 activity levels. The recommendation is $6.05 billion below the CBO baseline estimate for direct loan obligations, $7.15 billion below the baseline estimate for primary loan guarantee commitments, and $5.05 billion below the baseline estimate for secondary loan guarantee commitments. Almost all of these differences result from the fiscal year 1983 assumption that discretionary credit assistance is frozen at 1982 levels.

Comparison to the Revised 1982 Credit Budget

The revised 1982 credit budget recommendations contained in the proposed revised Second Budget Resolution for 1982 are $63.40 billion for direct loan obligations, $74.85 billion for primary loan guarantee commitments, and $68.95 billion for secondary loan guarantee commitments. The 1983 recommendation for direct loans is $2.5 billion below the revised 1982 level. All of this reduction is explained by CBO estimates of agriculture credit activity not subject to annual limits. CCC price support loans are estimated to be $13.2 billion in 1982, but only $10.5 billion in 1983, a reduction of $2.7 billion. Agricultural Credit Insurance Fund loans are currently estimated to total $9.4

billion in 1982. CBO estimates these loans will total $8.73 billion in 1983, a decline of $670 million. The increases in total loan guarantee commitments in 1983 above 1982 reflect primarily an expected rebound in the demand for Federal mortgage insurance. This is tied to projected improvement in housing markets. The current 1982 estimate for actual FHA mortgage insurance commitments is $25.0 billion, despite an appropriation limit of $40.0 billion. This results from the current depressed state of housing market activity. The 1983 recommendation assumes $40.0 billion for FHA mortgage insurance commitments, consistent with the 1982 limit and the projection of some recovery in housing in 1983.

VI. FISCAL YEAR 1983 REVENUE RECOMMENDATIONS

BLANK PAGE

VI. REVENUES

I. Description

Federal revenues provide resources necessary for national security and domestic needs, social security and other insurance and retirement programs, and payment of interest on the public debt.

Over the past decade there have been major changes in the composition of Federal revenues. The proportion of Federal revenues derived from social insurance taxes has increased from 25.4 percent in 1972 to 32.7 percent in 1982, while the share from corporate income taxes has fallen from 15.5 percent to 8.3 percent, and the share from estate and gift taxes has sharply decreased from 2.6 percent to 1.2 percent. The following tables show the projected levels and composition of revenues under current law.

TABLE 1

Current Law Revenues by Source
($ billions)

	Actual	Fiscal Years			
	1981	1982	1983	1984	1985
Individual Income Taxes	285.9	297.5	295.6	317.7	357.5
Corporate Income Taxes	61.1	51.7	55.8	66.8	74.4
Social Insurance Taxes	182.7	203.6	221.0	243.3	274.9
Excise Taxes	40.8	37.5	39.5	39.8	39.1
Estate and Gift Taxes	6.8	7.6	5.8	5.4	5.1
Customs Duties	8.1	8.8	9.3	9.8	10.2
Miscellaneous Receipts	13.8	16.3	18.0	19.2	18.8
Total	599.3	623.0	645.0	702.0	780.0

TABLE 2

Current Law Revenues by Source
(percentages)

	Actual 1981	Fiscal Years 1982	1983	1984	1985
Individual Income Taxes	47.7	47.8	45.8	45.3	45.8
Corporate Income Taxes	10.2	8.3	8.7	9.5	9.5
Social Insurance Taxes	30.5	32.7	34.3	34.7	35.2
Excise Taxes	6.8	6.0	6.1	5.7	5.0
Estate and Gift Taxes	1.1	1.2	0.9	.7	.7
Customs Duties	1.4	1.4	1.4	1.4	1.3
Miscellaneous Receipts	2.3	2.6	2.8	2.7	2.4
Total	100.0	100.0	100.0	100.0	100.0

The Economic Recovery Tax Act of 1981 has sharply reduced Federal revenues beneath what they would have been under prior law. ERTA revenue losses from individual income taxes rise from $27.7 billion in 1982 to $140.6 billion in 1985, and revenue losses from corporate income taxes rise from $9.3 billion in 1982 to $30.9 billion in 1985. Revenue losses from estate and gift taxes increase rapidly from $.2 billion in 1982 to $4.7 billion in 1985.

TABLE 3

Revenue Loss From the Economic Recovery Tax Act of 1981
($ billions)

	1981	1982	1983	1984	1985
Total Revenues, had ERTA not been enacted	599.5	660.6	735.0	839.8	957.6
Individual Income Taxes	-.2	-27.7	-74.1	-112.4	-140.6
Corporate Income Taxes	--	-9.3	-12.9	-21.3	-30.9
Social Insurance Taxes	--	+.4	+.5	+.6	+.6
Excise Taxes	--	-.8	-1.1	-1.2	-1.9
Estate and Gift Taxes	--	-.2	-2.3	-3.5	-4.7
Total Revenue Loss	-.2	-37.6	-90.0	-137.8	-177.6
Current Law Revenues	599.3	623.0	645.0	702.0	780.0

REVENUES

II. MULTIYEAR PERSPECTIVE

In billions of dollars	
Fiscal Year 1978 Actual	399.6
Fiscal Year 1979 Actual	463.3
Fiscal Year 1980 Actual	517.1
Fiscal Year 1981 Actual	599.3
Fiscal Year 1982 Second Budget Resolutions (12/9/81)	657.8
Fiscal Year 1982 President's Request (4/9/82)	628.4
Fiscal Year 1982 Chairman's Recommendation	622.8
Fiscal Year 1983:	
President's Request (4/9/82)	665.1
Baseline Estimate	645.0
Chairman's Recommendation	676.0
Fiscal Year 1984:	
President's Plan (4/9/82)	722.0
Baseline Estimate	702.0
Chairman's Recommendation	753.0
Fiscal Year 1985:	
President's Plan (4/9/82)	796.8
Baseline Estimate	780.0
Chairman's Recommendation	846.0

REVENUES

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget	FY 1984 Plan	FY 1985 Plan
Current Law Baseline Revenues................	645.0	702.0	780.0
Policy Issues			
1. Revenue increases to reduce deficits....	+31.0	+51.0	+66.0

The recommendation assumes the enactment of revenue increasing measures sufficient to reduce the Federal deficit to less than 1 percent of GNP by 1985, as a transition stage to budgetary balance. This deficit reduction would allow a less restrictive monetary policy; the improved combination of policies would reduce interest rates significantly, leading to stronger investment in housing and business plant and equipment, more rapid economic growth with higher production and lower inflation, and higher employment wages and profits.

The recommendation could accommodate a variety of specific options, including smaller reductions in individual and corporate income taxes than currently enacted, measures to increase tax collections and improve taxpayer compliance, higher energy taxes to increase energy security, tax expenditure reforms designed to improve equity and economic efficiency, and user fees such as increased airport and airway tax receipts and passport and visa fees.

The recommendation is assumed to accommodate an allowance of $0.1 billion in each year for changes in minor tax and tariff provisions.

The specific revenue increasing measures enacted for 1983 will have major effects on revenues raised in 1984 and 1985. Therefore, the revenue recommendations assumed here may be considered as minimum targets required to attain a significant reduction in the projected deficits for those years.

CHAIRMAN'S RECOMMENDATION....................	676.0	753.0	846.0

VII. SUMMARY OF FISCAL YEAR 1983 SPENDING RECOMMENDATIONS BY FUNCTION

BLANK PAGE

FUNCTION 050: NATIONAL DEFENSE

051: Department of Defense - Military
053: Atomic Energy Defense Activities
054: Defense-Related Activities

DESCRIPTION OF FUNCTION:

Funds in this function are provided to develop, maintain, and equip the military forces of the United States, and to finance defense-related activities of the Department of Energy. Major areas of funding include pay and benefits to active military and civilian personnel; military retired pay; research, development and procurement of weapons systems and supporting equipment; military construction including family housing; and operations and maintenance of the defense establishment. Funding is also provided for the development and procurement of nuclear weapons and naval reactors.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Department of Defense - Military
Atomic Energy Defense Activities
Defense-Related Activities

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Defense
Department of Energy
(Nuclear Weapons and Naval Reactors)

FUNCTION 050: NATIONAL DEFENSE

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	117.95	105.20
Fiscal Year 1979 Actual	127.80	117.70
Fiscal Year 1980 Actual	145.75	135.85
Fiscal Year 1981 Actual	182.40	159.75
Fiscal Year 1982 Second Budget Resolution (12/9/81).	226.30	188.80
Fiscal Year 1982 President's Request (4/9/82)	218.95	187.50
Fiscal Year 1982 Chairman's Recommendation	218.20	190.80
Fiscal Year 1983:		
President's Request (4/9/82)	263.35	221.30
CBO Baseline	264.60	224.20
Chairman's Recommendation	243.45	212.60
Fiscal Year 1984:		
President's Plan (4/9/82)	291.35	253.25
CBO Baseline	293.25	257.05
Chairman's Recommendation	268.75	235.85
Fiscal Year 1985:		
President's Plan (4/9/82)	338.25	292.35
CBO Baseline	341.55	297.40
Chairman's Recommendation	296.45	266.45

FUNCTION 050: NATIONAL DEFENSE

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	0	BA	0	BA	0
Current Policy Baseline............	264.60	224.20	293.25	257.05	341.55	297.40
CBO Adjustments....................	-1.25	-2.90	-1.90	-3.80	-3.30	-5.05
The CBO Baseline assumes no stockpile sales, no retired pay legislation, different civilian and military pay raises and reestimates of the President's budget.						
In order to reflect the President's April budget these amounts must be deducted from the Current Policy Baseline.						
Adjusted CBO Baseline (President's April Budget)	263.35	221.30	291.35	253.25	338.25	292.35
The recommendation for Function 050 provides for approximately five percent real growth per year for fiscal years 1983-85. The options listed below are illustrative of actions that could be taken to achieve the recommended level of defense funding.						

	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
In billions of dollars	BA	0	BA	0	BA	0
Major Policy Issues						
1. Military Personnel...........	-2.00	-2.00	-4.30	-4.20	-6.90	-6.80
• Provide Military Pay Raise Comparable to Federal Civilian Employees (four percent)....................	(-1.50)	(-1.50)	(-3.10)	(-3.00)	(-4.00)	(-3.90)
This recommendation provides a military pay raise of four percent for fiscal years 1983-85 the same as the recommendation for Federal civilian employees. The President's budget assumed an eight percent pay raise for the military for fiscal year 1983. The military has received two consecutive years of substantial pay and benefit increases and are essentially meeting their recruiting and retention objectives. Until two years ago military and civilian Federal Employees received comparable pay raises.						
• Reduce proposed military personnel levels.............	(-0.20)	(-0.20)	(-0.90)	(-0.90)	(-2.60)	(-2.60)
This recommendation allows for an increase of 106,000 military personnel from fiscal year 1980 to fiscal year 1983, an increase of over five percent. The administration projects military personnel levels to increase by 126,000 from fiscal year 1980 to fiscal year 1983 with little justification by the administration as to long range plans for the utilization of increased personnel.						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
• Absorption of Pay Raise.....	(-0.30)	(-0.30)	(-0.30)	(-0.30)	(-0.30)	(-0.30)

This recommendation provides savings by requiring the Defense Department to absorb 20 percent of the cost of the projected pay raises. This has been a common practice in prior years and civilian agencies were required to absorb 46 percent in fiscal year 1982. In the previous nine fiscal years the appropriation provided to cover the pay raises had an average absorption rate of 40 percent in civilian agencies. Since 1975 the Defense Department has been required to absorb an average of approximately 20 percent of the pay raise each year.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
2. Operations and Maintenance.........	-4.40	-3.70	-4.10	-4.10	-4.30	-4.30
• Reduce civilian personnel levels..........................	(-0.20)	(-0.20)	(-0.50)	(-0.50)	(-0.50)	(-0.50)

From fiscal year 1980 to fiscal year 1981 DOD civilian personnel increased by almost 30,000. The administration is projecting another increase of 16,000 from fiscal year 1981 to fiscal year 1983 for a total of 46,000 from fiscal year 1980 to fiscal year 1983.

The administration is also projecting substantial increases in military personnel (126,000 from fiscal year 1980 to fiscal year 1983). This is at a time when other Federal agencies are experiencing substantial reductions in personnel. This option provides for reducing civilian personnel to the fiscal year 1981 level (a reduction of 16,000

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
from fiscal year 1983 but an increase of 30,000 from fiscal year 1980). This reduction could be accomplished by attrition, streamlining various defense organizations, base/command restructurings, and better utilization of personnel and would require no firings of on board employees.						
• Provide Four Percent Civilian Pay Raise....................	(-0.20)	(-0.20)	(-0.40)	(-0.40)	(-0.60)	(-0.60)
This recommendation provides a four percent civilian pay raise. This is comparable to that recommended for military personnel, and non-Defense Department civilian personnel.						
• Other O&M reductions....	(-3.80)	(-3.10)	(-3.00)	(-3.00)	(-3.00)	(-3.00)
This recommendation would reduce a number of O&M items not related directly to military readiness such as real property maintenance, recruiting and advertising, subsidies for various military "social programs" and various other O&M programs showing unrealistically large growth. Areas such as administrative costs, depot maintenance, medical programs, slowing growth in funding for training and education, transportation and the projected cost of fuel all contribute to the proposed adjustment. The illustrative areas of reduction would exclude funding for spares and repair parts.						

	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
In billions of dollars	BA	O	BA	O	BA	O
• Pay Absorption...........	(-0.20)	(-0.20)	(-0.20)	(-0.20)	(-0.20)	(-0.20)
This recommendation provides savings by requiring the Defense Department to absorb 20 percent of the cost of the civilian pay raise. This has been a common practice in prior years. This is also the recommmended absorption level for non-Defense agencies.						
3. Procurement....................	-10.70	-1.40	-8.90	-5.20	-21.70	-8.90
From fiscal year 1981 to fiscal year 1982 the defense procurement budget increases by over 36 percent. From fiscal year 1982 to fiscal year 1983 the administration is requesting funding that would again provide over 36 percent growth. For the period fiscal year 1981 to fiscal year 1985 the administration projects growth of 161 percent for procurement. This recommendation is based on the premise that the Defense Department cannot effectively and efficiently manage, and the nation's industrial base cannot effectively and efficiently accommodate growth of this magnitude. Procurement growth should be slower and of a more manageable level. The recommendation provides for procurement growth of 116 percent from fiscal year 1981 to fiscal year 1985. It assumes over 36 percent growth from fiscal year 1981 to fiscal year 1982 but then provides for an average of about 19 percent growth each year through 1985. If the administration inflation projections are assumed this recommendation provides for about 13 percent real growth each year through the period. Though this recommendation provides savings it still provides for						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	0	BA	0	BA	0
substantial growth in defense procurement. Savings in procurement could be achieved by eliminating questionable systems and by slowing down or suspending procurement of systems experiencing production, cost or performance problems. The administration's budget authority for procurement totals $65.7 billion for fiscal year 1982, $89.5 billion for fiscal year 1983, $101.9 billion for fiscal year 1984 and $125.5 billion for fiscal year 1985. There are a number of programs experiencing cost, performance or production problems that have been highlighted by both the House and Senate as well as experts outside the Government. Programs that could be considered in this category would total over $25 billion in budget authority in fiscal year 1983.						
4. Research and Development.......	-2.20	-1.20	-3.20	-2.60	-5.00	-4.00
The defense R&D budget experiences over 21 percent growth from fiscal year 1981 to fiscal year 1982 and 91 percent from fiscal year 1982 to fiscal year 1985. This recommendation assumes the 21 percent increase from fiscal year 1981 to fiscal year 1982 and then provides growth of ten percent each year from fiscal year 1983 through 1985. The growth from fiscal year 1981 to fiscal year 1985 under this recommendation would be 61 percent.						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	0	BA	0	BA	0
This recommendation provides for approximately four percent real growth for each year for fiscal years 1983-85. The reduction to R&D could be accomplished by eliminating work on questionable systems and reducing increases in areas where unreasonable growth is projected.						
5. Other Defense Programs..........	-0.50	-0.30	-1.60	-0.80	-3.00	-1.00
This recommendation provides for minor reductions to Military Construction, Military Family Housing, Stock Funds, Industrial Funds and Atomic Energy Defense Activities but does provide for real growth in all those areas from fiscal year 1982 to fiscal year 1985.						
6. Retired Military Personnel..........	-0.20	-0.20	-0.70	-0.70	-1.20	-1.20
The recommendation assumes the Congress will reject the zero percent COLA adjustment in fiscal year 1983 which the Senate Budget Committee proposed and the President endorsed. This recommendation guarantees a four percent cost-of-living adjustment (COLA) in retired military personnel benefits effective October 1, 1982 through fiscal year 1985.						
7. Retired Pay Defense Legislation..	+0.10	+0.10	+0.20	+0.20	+0.30	+0.30
Since the recommendation assumes a four percent COLA guarantee the recommendation further assumes the Congress will not approve legislation proposed by the administration that would reduce the COLA for retired military personnel.						
Subtotal, Policy Changes from Adjusted CBO Baseline................. (President's April Budget)	(-19.90)	(-8.70)	(-22.60)	(-17.40)	(41.80)	(-25.90)
CHAIRMAN'S RECOMMENDATION...........	243.45	212.60	268.75	235.85	296.45	266.45

BEST DOCUMENT AVAILABLE

FUNCTION 050: NATIONAL DEFENSE

Effect of Recommendations on Major Mandatory Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	O	BA	O	BA	O	BA	O	BA	O
Retired Pay	13.85	13.75	15.05	15.00	16.40	16.40	16.50	16.45	16.30	16.25

FUNCTION 050: NATIONAL DEFENSE

1983 Credit Budget Recommendation

(In millions of dollars)

Program	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Defense Production Guarantees..............	...	...	...	32	...	...
TOTAL.....................	...	...	...	32	...	...

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	...	...	...
Off-budget	...	...	...
Subtotal, gross direct loans	...	...	...
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	...	...	...

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	0.05	...	...
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	...	...	...
Primary Loan Guarantee Commitments	0.05	...	...

FUNCTION 150: INTERNATIONAL AFFAIRS

151: Foreign Economic and Financial Assistance
152: International Security Assistance
153: Conduct of Foreign Affairs
154: Foreign Information and Exchange Activities
155: International Financial Programs

DESCRIPTION OF FUNCTION:

Funds in this function are provided to finance the foreign affairs establishment, including embassies and other diplomatic missions abroad; sale of U.S. commodities under the Food for Peace programs; foreign aid loan and technical assistance activities in the less developed countries; security assistance to foreign governments; foreign military sales made through the Foreign Military Sales Trust fund, U.S. contributions to the international financial institutions, and Export-Import Bank activities.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Foreign Affairs
Foreign Aid
Food for Peace
Security Assistance
Foreign Military Sales
Export Promotion
U.S. Contributions to International Financial Institutions

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of State
Department of Defense
Department of Treasury
Department of Agriculture
Agency for International Development
International Communication Agency
Export-Import Bank

FUNCTION 150: INTERNATIONAL AFFAIRS

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	9.80	5.90
Fiscal Year 1979 Actual	8.70	6.10
Fiscal Year 1980 Actual	15.50	10.75
Fiscal Year 1981 Actual	24.80	11.15
Fiscal Year 1982 Second Budget Resolution (12/9/81)	17.40	11.15
Fiscal Year 1982 President's Request (4/9/82)	18.95	11.40
Fiscal Year 1982 Chairman's Recommendation	16.75	11.45
Fiscal Year 1983:		
President's Request (4/9/82)	18.15	12.15
CBO Baseline	17.60	12.50
Chairman's Recommendation	16.15	12.10
Fiscal Year 1984:		
President's Plan (4/9/82)	17.45	12.40
CBO Baseline	19.55	13.55
Chairman's Recommendation	16.80	12.30
Fiscal Year 1985:		
President's Plan (4/9/82)	16.45	13.00
CBO Baseline	25.25	14.45
Chairman's Recommendation	21.20	12.30

FUNCTION 150: INTERNATIONAL AFFAIRS

III. Summary of Recommendation

	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
In billions of dollars	BA	O	BA	O	BA	O
Current Policy Baseline..........	17.60	12.50	19.55	13.55	25.25	14.45
Adjustments 1/.................	-0.05	...	...	...	...	...
Revised Baseline................	17.55	12.50	19.55	13.55	25.25	14.45
Major Policy Issues						
1. Effect of Discretionary Program Freeze.........	-1.30	-0.40	-2.55	-1.15	-3.75	-1.95
The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.						
For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.						
2. Other Policy Issues............	-0.10	...	-0.20	-0.10	-0.30	-0.20
• Changes in Interest Rates as a Result of Deficit Reduction..................	(-0.10)	(...)	(-0.20)	(-0.10)	(-0.30)	(-0.20)
The adoption of a credible deficit reduction plan is expected to reduce interest rate costs to programs in the function.						
Subtotal, Changes from Current Policy Baseline...............	(-1.40)	(-0.40)	(-2.75)	(-1.25)	(-4.05)	(-2.15)
CHAIRMAN'S RECOMMENDATION.......	16.15	12.10	16.80	12.30	21.20	12.30

1/ Adjustments for impact of 1982 supplementals and rescissions not included in CBO baseline.

FUNCTION 150: INTERNATIONAL AFFAIRS

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
Program	BA	O	BA	O	BA	O	BA	O	BA	O
Contribution to the International Development Association	0.50	0.50	0.70	0.70	0.90	0.85	0.95	0.85	0.70	0.85
Foreign Military Credit Sales	0.50	0.50	0.80	0.80	0.85	0.85	1.75	0.90	0.80	0.80
Economic Support Fund	2.10	2.05	2.90	2.60	3.15	3.00	2.90	2.75	2.90	2.85
Assessed Contributions to International Organizations (Required by Treaty)	0.40	0.40	0.40	0.40	0.45	0.55	0.45	0.50	0.40	0.50

Direct Loan Obligation Rates

	FY 1981 Actual	FY 1982 Program Level	FY 1983 CBO Baseline	FY 1983 April Budget Request	FY 1983 Freeze Level
Export-Import Bank Direct Loan Program	5,431	4,400	4,726	3,830	4,400

FUNCTION 150: INTERNATIONAL AFFAIRS

1983 Credit Budget Recommendation

(In millions of dollars)

	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
Program	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Foreign Military Credit Sales....................	862	1,739	800	3,524	3,929	3,270
Export-Import Bank.........	4,726	3,830	4,400	9,902	8,000	9,220
Federal Financing Bank.....	3,744	4,474	3,815	...	...	...
All Other..................	1,640	2,246	1,822	269	250	250
TOTAL.....................	10,972	12,289	10,837	13,695	12,179	12,740

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	7.20	7.85	7.05
Off-budget	3.75	4.45	3.80
Subtotal, gross direct loans	10.95	12.30	10.85
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	10.95	12.30	10.85

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	13.70	12.15	12.75
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	-3.75	-4.45	-3.80
Primary Loan Guarantee Commitments	9.95	7.70	8.95

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

251: General Science and Basic Research
253: Space Flight
254: Space, Science, Applications and Technology
255: Supporting Space Activities

DESCRIPTION OF FUNCTION:

This function includes space research and technology, general science, and basic research not specifically covered by other functional areas, and represents nearly 20 percent of the total Federal research and development outlays. The budgets for the National Science Foundation (NSF), certain research programs of the Department of Energy (DOE), a small Smithsonian Institution program, and the National Aeronautics and Space Administration (except for aeronautical programs) are within this category.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

General Science and Basic Research (not primarily associated with other functions)
Space Flight, Research, Technology and Applications

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Energy
National Science Foundation
National Aeronautics and Space Administration

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	4.90	4.80
Fiscal Year 1979 Actual	5.40	5.05
Fiscal Year 1980 Actual	6.15	5.70
Fiscal Year 1981 Actual	6.55	6.35
Fiscal Year 1982 Second Budget Resolution (12/9/81)	7.20	7.00
Fiscal Year 1982 President's Request (4/9/82)	7.00	6.95
Fiscal Year 1982 Chairman's Recommendation	7.00	7.00
Fiscal Year 1983:		
President's Request (4/9/82)	7.80	7.65
CBO Baseline	7.75	7.60
Chairman's Recommendation	7.25	7.25
Fiscal Year 1984:		
President's Plan (4/9/82)	7.70	7.80
CBO Baseline	7.75	7.75
Chairman's Recommendation	7.25	7.35
Fiscal Year 1985:		
President's Plan (4/9/82)	7.25	7.40
CBO Baseline	7.60	7.60
Chairman's Recommendation	7.20	7.25

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline..........	7.75	7.60	7.75	7.75	7.60	7.60
Adjustments..................	...	...	...	...	...	...
Revised Baseline.................	7.75	7.60	7.75	7.75	7.60	7.60
Major Policy Issues						
1. Effect of Discretionary Program Freeze...............	-0.70	-0.50	-0.70	-0.60	-0.55	-0.50
The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process. For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.						
2. Other Policy Differences.......	+0.20	+0.15	+0.20	+0.20	+0.15	+0.15
The primary impact of a freeze in discretionary programs would fall on NASA space shuttle production and flight operations. It could result in currently scheduled missions including those for the Department of Defense being cancelled or deferred.						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Cancellation of some space shuttle missions could also result in loss of revenues from users if they decide to contract with foreign competition to perform their desired mission. Delays in shuttle production would only increase future costs to complete the remaining three shuttle orbiters.						
Subtotal, Changes from Current Policy Baseline...............	(-0.50)	(-0.35)	(-0.50)	(-0.40)	(-0.40)	(-0.35)
CHAIRMAN'S RECOMMENDATION.......	7.25	7.25	7.25	7.35	7.20	7.25

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
National Science Foundation	1.05	1.00	1.00	1.10	1.05	1.00	1.10	1.00	1.00*	0.95
Department of Energy General Science	0.50	0.50	0.55	0.50	0.55	0.60	0.60	0.60	0.55*	0.60
NASA Space Programs	5.00	5.00	5.45	5.40	6.10	6.05	6.15	6.05	5.50*	5.60

*Recommendation assumes a higher level of funding for discretionary programs than the freeze level. See Summary of Recommendations.

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

1983 Credit Budget Recommendation

(In millions of dollars)

	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
Program	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
NASA R&D Guarantees.......	...	...	...	171	171	171
Federal Financing Bank....	171	171	171	...	...	...
TOTAL.....................	171	171	171	171	171	171

SUMMARY OF RECOMMENDATION

(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	...	...	...
Off-budget	0.15	0.15	0.15
Subtotal, gross direct loans	0.15	0.15	0.15
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	0.15	0.15	0.15

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	0.15	0.15	0.15
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	-0.15	-0.15	-0.15
Primary Loan Guarantee Commitments	...	...	...

FUNCTION 270: ENERGY

271: Energy Supply
272: Energy Conservation
274: Emergency Energy Preparedness
276: Energy Information, Policy and Regulation

DESCRIPTION OF FUNCTION:

This function represents a consolidation of nearly all Federal energy and energy-related programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Energy Supply
Energy Research, Development and Demonstration
Synthetic Fuels Program
Energy Conservation
Strategic Petroleum Reserve
Nuclear Regulation
TVA Power Program

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Energy
Nuclear Regulatory Commission
Tennessee Valley Authority

FUNCTION 270: ENERGY

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	8.25	5.85
Fiscal Year 1979 Actual	7.40	6.85
Fiscal Year 1980 Actual	36.45	6.30
Fiscal Year 1981 Actual	6.75	10.30
Fiscal Year 1982 Second Budget Resolution (12/9/81)	4.50	6.00
Fiscal Year 1982 President's Request (4/9/82)	4.80	6.20
Fiscal Year 1982 Chairman's Recommendation	4.75	6.50
Fiscal Year 1983:		
President's Request (4/9/82)	4.25	4.15
CBO Baseline	5.75	5.30
Chairman's Recommendation	5.30	5.00
Fiscal Year 1984:		
President's Plan (4/9/82)	4.20	3.55
CBO Baseline	5.45	4.75
Chairman's Recommendation	4.70	4.05
Fiscal Year 1985:		
President's Plan (4/9/82)	3.75	3.45
CBO Baseline	5.60	4.70
Chairman's Recommendation	4.65	3.85

FUNCTION 270: ENERGY

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget BA	FY 1983 Budget O	FY 1984 Plan BA	FY 1984 Plan O	FY 1985 Plan BA	FY 1985 Plan O
Current Policy Baseline..........	5.75	5.30	5.45	4.75	5.60	4.70
Adjustments..................	...	...	...	...	...	...
Revised Baseline.................	5.75	5.30	5.45	4.75	5.60	4.70
Major Policy Issues						
1. Effect of Discretionary Program Freeze......................	-0.45	-0.30	-0.75	-0.70	-0.95	-0.85
Subtotal, Changes from Current Policy Baseline...............	(-0.45)	(-0.30)	(-0.75)	(-0.70)	(-0.95)	(-0.85)
CHAIRMAN'S RECOMMENDATION.......	5.30	5.00	4.70	4.05	4.65	3.85

The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.

BEST DOCUMENT AVAILABLE

FUNCTION 270: ENERGY

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Energy Conservation Programs	0.75	0.75	0.40	0.70	0.45	0.45	*	0.30	0.40	0.45
Fossil Energy	1.00	0.90	0.45	0.75	0.45	0.55	0.10	0.45	0.45	0.55
Energy Supply R&D (Includes nuclear fission and fusion, solar, geothermal electric energy systems and storage, etc.)	2.80	2.95	2.45	3.05	2.60	2.40	1.90	2.00	2.45	2.35
Strategic Petroleum Reserve (on-budget)	3.35	3.80	0.20	0.25	0.35	0.35	0.25	0.30	0.20	0.30
Strategic Petroleum Reserve (off-budget)	(...)	(...)	(3.70)	(2.85)	(NA)	(NA)	(2.05)	(2.75)	(3.70)	(3.80)
Rural Electrification Administration (New insured loan and loan guarantee commitments)	(6.25)		(6.25)		(6.25)		(4.45)		(6.25)	

*Less than $25 million.

FUNCTION 270: ENERGY

1983 Credit Budget Recommendation

(In millions of dollars)

Program	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Rural Electrification Administration...........	1,530	700	1,100	6,870	3,760	5,145
TVA........................	81	81	81	5,289	5,289	5,289
Bonneville Power Administration.................	43	62	62	...	...	...
Federal Financing Bank.....	11,367	10,865	11,298	...	...	...
All Other.................	...	...	...	2	...	...
TOTAL.....................	13,020	11,707	12,540	12,161	9,049	10,434

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	0.10	0.15	0.15
Off-budget	12.90	11.55	12.40
Subtotal, gross direct loans	13.00	11.70	12.55
Less Loan Assets sold to FFB	-0.65	-0.50	-0.60
Net Direct Loans	12.35	11.20	11.95

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	12.15	9.05	10.45
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	-11.35	-10.85	-11.30
Primary Loan Guarantee Commitments	0.80	-1.80	-0.85

BEST DOCUMENT AVAILABLE

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

301: Water Resources
302: Conservation and Land Management
303: Recreational Resources
304: Pollution Control and Abatement
306: Other Natural Resources

DESCRIPTION OF FUNCTION:

Programs in this function are primarily designed to develop, manage, and maintain the Nation's natural resources and protect public health by assuring a clean environment.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Natural Resources Management, Development and Conservation
Water Resources Programs
Management and Acquisition of Natural Parks
Sewage Treatment Plant Construction Grant Program
Protection of the Environment
Development, Regulation, and Conservation of Minerals
Management and Preservation of the Public Lands

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of the Interior
Department of Agriculture
Department of Commerce
Army Corps of Engineers
Environmental Protection Agency

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	13.60	10.90
Fiscal Year 1979 Actual	13.20	12.10
Fiscal Year 1980 Actual	13.05	13.80
Fiscal Year 1981 Actual	11.15	13.50
Fiscal Year 1982 Second Budget Resolution (12/9/81).	8.20	12.40
Fiscal Year 1982 President's Request (4/9/82)	10.10	12.70
Fiscal Year 1982 Chairman's Recommendation	10.40	12.85
Fiscal Year 1983:		
President's Request (4/9/82)	8.45	9.90
CBO Baseline	10.75	11.85
Chairman's Recommendation	9.40	10.85
Fiscal Year 1984:		
President's Plan (4/9/82)	7.75	8.35
CBO Baseline	10.65	11.40
Chairman's Recommendation	8.75	9.85
Fiscal Year 1985:		
President's Plan (4/9/82)	7.30	7.75
CBO Baseline	10.90	11.00
Chairman's Recommendation	8.35	8.85

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	0	BA	0	BA	0
Current Policy Baseline...............	10.75	11.85	10.65	11.40	10.90	11.00
Adjustments........................	...	...	...	...	...	...
Revised Baseline......................	10.75	11.85	10.65	11.40	10.90	11.00
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-0.85	-0.50	-1.30	-0.95	-1.95	-1.55
The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.						
For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.						
2. Other Policy Issues................	-0.50	-0.50	-0.60	-0.60	-0.60	-0.60
• Deep Draft Port User Fees.......	(-0.45)	(-0.45)	(-0.50)	(-0.50)	(-0.50)	(-0.50)
This proposal assumes enactment of legislation to fund dredging and ordinary capital spending at a level sufficient to generate the fees as shown.						
• Inland Waterway User Fees.......	(-0.05)	(-0.05)	(-0.10)	(-0.10)	(-0.10)	(-0.10)
This proposal assumes enactment of legislation to increase the existing fuel tax but rejects the segmented fee approach.						
Subtotal, Changes from Current Policy Baseline......................	(-1.35)	(-1.00)	(-1.90)	(-1.55)	(-2.55)	(-2.15)
CHAIRMAN'S RECOMMENDATION............	9.40	10.85	8.75	9.85	8.35	8.85

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Corps of Engineers - Construction...........	1.60	1.55	1.40	1.50	1.55	1.45	1.10	1.15	1.45	1.35
Bureau of Reclamation - Construction...........	0.60	0.60	0.55	0.55	0.60	0.60	0.65	0.65	0.55	0.55
Agricultural Conservation Program................	0.20	0.20	0.20	0.20	0.20	0.20	0.05	0.15	0.20	0.15
EPA Construction Grants.	1.60	3.90	2.40	4.05	2.60	3.75	2.40	3.00	2.40	3.75
EPA Operations..........	1.25	1.10	1.05	1.15	1.10	1.15	0.95	1.05	1.05	1.15

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

1983 Credit Budget Recommendation

(In millions of dollars)

Program	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Bureau of Reclamation......	29	39	28	...	...	...
TOTAL.....................	29	39	28	...	...	...

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	0.05	0.05	0.05
Off-budget	...	...	...
Subtotal, gross direct loans	0.05	0.05	0.05
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	0.05	0.05	0.05

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	...	...	...
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	...	...	...
Primary Loan Guarantee Commitments	...	...	...

FUNCTION 350: AGRICULTURE

351: Farm Income Stabilization
352: Agriculture Research and Services

DESCRIPTION OF FUNCTION:

Programs in this function are designed to assist food producers, provide market information and services, and support food research. Food producers are assisted through deficiency payments, disaster payments, product purchases, insurance, nonrecourse loans, and regular loans. Market information and services include Department of Agriculture administration, animal disease prevention, distribution of market information, and numerous regulatory activities. Research provides for direct support of Federal biological research facilities, grants for State-supported facilities, and economic analyses.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Price Support and Related Programs (Commodity Credit Corporation)
Federal Crop Insurance
FmHA Farm Loans
Research Programs
Extension Programs
Consumer Protection, Marketing and Regulatory Programs
Economic Intelligence

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Agriculture

FUNCTION 350: AGRICULTURE

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	2.60	7.70
Fiscal Year 1979 Actual	9.35	6.20
Fiscal Year 1980 Actual	4.95	4.80
Fiscal Year 1981 Actual	6.65	5.60
Fiscal Year 1982 Second Budget Resolution (12/9/81).	5.50	4.50
Fiscal Year 1982 President's Request (4/9/82)	9.60	12.80
Fiscal Year 1982 Chairman's Recommendation	9.90	13.80
Fiscal Year 1983:		
President's Request (4/9/82)	9.10	9.40
CBO Baseline	6.80	10.30
Chairman's Recommendation	6.90	10.10
Fiscal Year 1984:		
President's Plan (4/9/82)	8.50	9.20
CBO Baseline	8.55	8.45
Chairman's Recommendation	8.40	8.25
Fiscal Year 1985:		
President's Plan (4/9/82)	7.70	7.90
CBO Baseline	7.20	7.80
Chairman's Recommendation	6.85	7.50

FUNCTION 350: AGRICULTURE

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline...............	6.80	10.30	8.55	8.45	7.20	7.80
Adjustments..........................	...	...	...	...	...	...
Revised Baseline......................	6.80	10.30	8.55	8.45	7.20	7.80
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-0.20	-0.20	-0.30	-0.35	-0.45	-0.50

The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
2. Other Policy Issues................	+0.30	*	+0.15	+0.15	+0.10	+0.20
• Federal Crop Insurance Corporation (FCIC)..................	(+0.30)	(*)	(+0.15)	(+0.15)	(+0.10)	(+0.20)

The FCIC is planned to be fully operational in fiscal year 1983. The FCIC will replace the commodity disaster payments program which expires at the end of the 1981 crops. The capital stock fund will need to be increased $275 million in budget authority above the $147 million fiscal year 1983 current policy level but, only $116 million above the fiscal year 1983 freeze level. For full operation, the operating and administrative expenses will also require a $176 million budget authority increase above the fiscal year 1983 freeze level. Thus, full operation will require a budget authority increase in fiscal year 1983 above the freeze level of $292 million. This add-on will provide a funding level consistent with the President's budget request.

The total budget amounts for discretionary spending provided in the Recommendation may require additional reductions in some areas to fulfill funding requirements in others such as the Federal Crop Insurance program.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Subtotal, Changes from Current Policy Baseline......................	(+0.10)	(-0.20)	(-0.15)	(-0.20)	(-0.35)	(-0.30)
CHAIRMAN'S RECOMMENDATION............	6.90	10.10	8.40	8.25	6.85	7.50

*Less than $25 million

FUNCTION 350: AGRICULTURE

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Federal Crop Insurance Administrative and Operating Expenses....	0.05	0.05	0.10	0.10	0.30	0.25	0.30	0.25	0.10	0.10*
Capital Stock Fund....	...	-0.05	0.30	0.20	0.15	0.10	0.40	0.10	0.30	0.20*
Research and Services..	1.55	1.55	1.60	1.55	1.70	1.65	1.60	1.55	1.60	1.60

*Recommendation assumes a higher level of funding for discretionary programs than the freeze level. See summary of Recommendation.

FUNCTION 350: AGRICULTURE

Effect of Recommendations on Major Mandatory Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	O	BA	O	BA	O	BA	O	BA	O
Commodity Credit Corporation.........	4.15	4.00	7.05	11.25	3.80	7.40	6.00	6.70	3.80	7.40
Proposed Legis. Savings.............	...	...	...	...	...	...	...	...	...	...
Subtotal	4.15	4.00	7.05	11.25	3.80	7.40	6.00	6.70	3.80	7.40

BEST DOCUMENT AVAILABLE

FUNCTION 350: AGRICULTURE

1983 Credit Budget Recommendation

(In millions of dollars)

	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
Program	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Agricultural Credit Insurance Fund..........	8,733	7,218	8,658	7,102	3,202	6,877
Price Support.............	10,500	8,350	10,500	2,500	2,500	2,500
Federal Financing Bank....	6,971	3,071	6,746	...	...	...
TOTAL.....................	26,204	18,639	25,904	9,602	5,702	9,377

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	19.25	15.55	19.15
Off-budget	6.95	3.10	6.75
Subtotal, gross direct loans	26.20	18.65	25.90
Less Loan Assets sold to FFB	-6.95	-3.10	-6.75
Net Direct Loans	19.25	15.55	19.15

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	9.60	5.70	9.40
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	-6.95	-3.05	-6.75
Primary Loan Guarantee Commitments	2.65	2.65	2.65

FUNCTION 370: COMMERCE AND HOUSING CREDIT

371: Mortgage Credit and Thrift Insurance
372: Postal Service
376: Other Advancement of Commerce

DESCRIPTION OF FUNCTION:

This function, which is highly volatile from year to year because of changing economic conditions, provide for assistance through the Government's mortgage credit programs and other activities related to commerce and finance.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Mortgage Insurance Programs
Secondary-Market Support for Insured and Subsidized Mortgages
Rural Housing Programs
Payments to the Postal Service
Small Business Loans
Thrift and Deposit Insurance
Regulatory Activities

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Housing and Urban Development: FHA and GNMA
Department of Agriculture: FmHA
Department of Commerce
Postal Service
Small Business Administration
Regulatory Commissions
Federal Deposit Insurance Corporation
Federal Home Loan Bank Board

FUNCTION 370: COMMERCE AND HOUSING CREDIT

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	5.30	3.35
Fiscal Year 1979 Actual	5.95	2.60
Fiscal Year 1980 Actual	10.50	7.80
Fiscal Year 1981 Actual	6.55	3.95
Fiscal Year 1982 Second Budget Resolution (12/9/81)	7.70	4.00
Fiscal Year 1982 President's Request (4/9/82)	6.30	3.40
Fiscal Year 1982 Chairman's Recommendation	7.50	3.75
Fiscal Year 1983:		
President's Request (4/9/82)	3.40	1.60
CBO Baseline	7.40	4.30
Chairman's Recommendation	7.95	2.95
Fiscal Year 1984:		
President's Plan (4/9/82)	4.25	1.30
CBO Baseline	8.40	4.35
Chairman's Recommendation	8.50	2.60
Fiscal Year 1985:		
President's Plan (4/9/82)	4.55	-0.50
CBO Baseline	8.60	4.10
Chairman's Recommendation	8.35	2.60

FUNCTION 370: COMMERCE AND HOUSING CREDIT

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget BA	FY 1983 Budget O	FY 1984 Plan BA	FY 1984 Plan O	FY 1985 Plan BA	FY 1985 Plan O
Current Policy Baseline	7.40	4.30	8.40	4.35	8.60	4.10
Adjustments[1/]	+1.00	+0.15	+1.00	+0.05	+1.00	+0.30
Revised Baseline	8.40	4.45	9.40	4.40	9.60	4.40
Major Policy Issues						
1. Effect of Discretionary Program Freeze	-0.45	-0.15	-0.90	-0.25	-1.25	-0.60

The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.

In billions of dollars	FY 1983 Budget BA	FY 1983 Budget O	FY 1984 Plan BA	FY 1984 Plan O	FY 1985 Plan BA	FY 1985 Plan O
2. Other Policy Issues	...	-1.35	...	-1.55	...	-1.20
• FHA Mortgage Insurance Upfront Premium	(...)	(-0.70)	(...)	(-0.70)	(...)	(-0.70)

The recommendation assumes implementation of the administration's proposed upfront, one-time mortgage insurance premium. The one-time premium would be collected at settlement on an FHA insured mortgage and could be added to the principal amount of the mortgage at the buyer's discretion. The premium would

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
be the discounted net present value of the expected monthly mortgage insurance premiums collected under current law. The upfront premium would increase FHA offsetting collections by $695 million in fiscal year 1983. This proposal is one of the administration's management initiatives.						
• Mortgage Asset Sales............	(...)	(-0.65)	(...)	(-0.85)	(...)	(-0.50)
The recommendation assumes the administration's proposed acceleration of the sale of mortgage assets. The administration proposes to sell a total of $1.32 billion of mortgage assets from the FHA Fund and the Housing for the Elderly or Handicapped Fund above what they would have sold under previous policy. These sales are estimated to yield an additional $668 million of offsetting collections in fiscal year 1983. These sales are part of the administration's management initiatives.						
Subtotal, Changes from Current Policy Baseline......................	(-0.45)	(-1.50)	(-0.90)	(-1.80)	(-1.25)	(-1.80)
CHAIRMAN'S RECOMMENDATION............	7.95	2.95	8.50	2.60	8.35	2.60

1/ Adjustments for impact of 1982 supplementals not included in CBO baseline.

BEST DOCUMENT AVAILABLE

FUNCTION 370: COMMERCE AND HOUSING CREDIT

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
Program	BA	O	BA	O	BA	O	BA	O	BA	O
Rural Housing Loans..	0.60	-0.15	1.60	1.10	2.30	2.35	1.10	1.60	2.30	2.40
Tandem Mortgage Purchases...........	1.35	1.30	2.20	1.30	2.35	1.30	*	1.35	2.20	1.30
Loans for Elderly or Handicapped Housing.	0.80	0.80	0.75	0.70	0.70	0.85	0.30	0.30	0.65	0.85
Postal Service Subsidy	1.35	1.35	0.85	0.85	0.80	0.80	0.50	0.50	0.70	0.70
SBA Business Loans...	0.60	0.55	0.35	0.50	0.40	0.45	0.15	0.15	0.40	0.45

*Less than $25 million.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

Effect of Recommendations on Major Mandatory Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	O	BA	O	BA	O	BA	O	BA	O
Federal Deposit Insurance Corporation......	...	-1.75	...	-1.80	...	-2.00	...	-2.00	...	-2.00
Federal Savings and Loan Insurance Corporation.	...	0.35	...	0.25	...	-0.05	...	-0.15	...	-0.05
Federal Housing Administration Fund..........	0.40	0.20	0.15	-0.25	0.30	-0.35	0.05	-0.35	0.30	-0.35
FHA Upfront Mortgage Insurance Premium.....	...	...	...	...	...	...	...	-0.70	...	-0.70
FHA Mortgage Asset Sales	...	...	...	...	...	...	...	-0.10	...	-0.10
Subtotal, FHA Fund....	0.40	0.20	0.15	-0.25	0.30	-0.50	0.05	-1.15	0.30	-1.15

FUNCTION 370: COMMERCE AND HOUSING CREDIT

1983 Credit Budget Recommendation

(In millions of dollars)

	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
Program	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Rural Housing Loans.......	6,806	3,895	6,475	5,591	3,557	5,507
FHA Mortgage Insurance....	348	311	342	42,960	35,000	40,000
GNMA Mortgage Backed Securities..............	6	6	6	73,300	38,400	68,250
Tandem Mortgage Purchases.	3,149	...	2,983	...	...	...
Central Liquidity Facility	4,730	473	473	...	...	...
SBA Business Loans........	798	554	738	3,300	2,700	3,100
Housing for the Elderly or Handicapped..........	892	453	819	...	...	...
Federal Financing Bank....	5,802	3,777	5,782	...	...	...
All Other.................	28	6	27	338	250	275
TOTAL.....................	22,559	9,475	17,645	125,489	79,907	117,132

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	16.55	5.70	11.85
Off-budget	5.80	3.80	5.80
Subtotal, gross direct loans	22.55	9.50	17.65
Less Loan Assets sold to FFB	-5.50	-3.55	-5.50
Net Direct Loans	17.05	5.95	12.15

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	125.50	79.90	117.15
Less Secondary Guarantees	-73.30	-38.40	-68.25
Less Guarantees of Direct Loans	-7.95	-3.75	-8.80
Primary Loan Guarantee Commitments	44.25	37.75	40.10

FUNCTION 400: TRANSPORTATION

401: Ground Transportation
402: Air Transportation
403: Water Transportation
407: Other Transportation

DESCRIPTION OF FUNCTION:

This function provides assistance for transportation activities including ground (highway, railroads, and mass transportation), air and water transportation programs. The transportation activities include major grant-in-aid programs to support State and local activities.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Highway Construction and Safety
Mass Transit
Railroad Assistance
Airways and Airports
Maritime Subsidies
Coast Guard

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Transportation
NASA: Aeronautical Research
Interstate Commerce Commission
Civil Aeronautics Board

FUNCTION 400: TRANSPORTATION

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	15.05	15.45
Fiscal Year 1979 Actual	19.20	17.45
Fiscal Year 1980 Actual	20.20	21.10
Fiscal Year 1981 Actual	24.90	23.40
Fiscal Year 1982 Second Budget Resolution (12/9/81)	21.20	20.40
Fiscal Year 1982 President's Request (4/9/82)	20.90	21.15
Fiscal Year 1982 Chairman's Recommendation	21.35	21.45
Fiscal Year 1983:		
President's Request (4/9/82)	18.95	19.55
CBO Baseline	22.30	20.45
Chairman's Recommendation	21.95	20.00
Fiscal Year 1984:		
President's Plan (4/9/82)	18.95	18.60
CBO Baseline	23.30	21.20
Chairman's Recommendation	22.05	19.65
Fiscal Year 1985:		
President's Plan (4/9/82)	19.25	19.20
CBO Baseline	24.35	22.40
Chairman's Recommendation	22.60	19.85

FUNCTION 400: TRANSPORTATION

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline...............	22.30	20.45	23.30	21.20	24.35	22.40
Adjustments[1]......................	+0.55	+0.25	+0.60	+0.40	+0.65	+0.50
Revised Baseline......................	22.85	20.70	23.90	21.60	25.00	22.90
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-0.70	-0.50	-1.35	-1.45	-1.90	-2.55
The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process. For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.						
2. Other Policy Issues................	-0.20	-0.20	-0.50	-0.50	-0.50	-0.50
• Coast Guard User Fees...........	(-0.20)	(-0.20)	(-0.50)	(-0.50)	(-0.50)	(-0.50)
This proposal assumes first time enactment of a Coast Guard Boat and Yacht user fee proposed in the President's budget. The proposal would be phased in, beginning in fiscal year 1983.						
Subtotal, Changes from Current Policy Baseline......................	(-0.90)	(-0.70)	(-1.85)	(-1.95)	(-2.40)	(-3.05)
CHAIRMAN'S RECOMMENDATION............	21.95	20.00	22.05	19.65	22.60	19.85

---

[1] Adjustments for impact of 1982 supplementals not included in CBO baseline.

FUNCTION 400: TRANSPORTATION

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Northeast Corridor Improvement Project.	0.35	0.20	0.15	0.30	0.20	0.25	0.10	0.20	0.15	0.25
Amtrak................	0.90	0.85	0.75	0.65	0.80	0.75	0.60	0.60	0.75	0.70
Urban Mass Transportation..............	4.65	3.85	3.75	3.75	4.00	3.40	3.15	3.15	3.75	3.30
FAA Operations........	2.35	2.30	2.20	2.25	2.35	2.40	2.35	2.35	2.30	2.35
FAA Facilities and Equipment...........	0.35	0.25	0.25	0.25	0.30	0.25	0.75	0.30	0.25	0.25
NASA Programs.........	0.59	0.55	0.45	0.55	0.50	0.55	0.50	0.50	0.50	0.50
Coast Guard Operating Expenses............	1.35	1.30	1.50	1.50	1.45	1.50	1.45	1.40	1.50	1.55
Coast Guard Acquisition, Construction, Improvement................	0.35	0.20	0.70	0.30	0.75	0.40	*	0.30	0.70	0.40
MARAD Ship Construction	0.15	0.20	*	0.20	0.05	0.05	...	0.05	0.05	0.05
Boat and Yacht User Fee	...	...	...	...	...	...	-0.20	-0.20	-0.20	-0.20

*Less than $50 million

FUNCTION 400: TRANSPORTATION

1983 Credit Budget Recommendation

(In millions of dollars)

Program	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Rail Rehabilitation and Improvement.............	114	...	106	293	...	135
Aircraft Purchase Loans...	...	...	...	120	...	111
Federal Ship Financing Fund....................	25	25	25	740	600	675
Federal Financing Bank....	280	58	173	...	...	...
All Other.................	95	34	58	3	...	...
TOTAL.....................	514	117	362	1,156	600	921

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	0.20	0.05	0.20
Off-budget	0.30	0.05	0.15
Subtotal, gross direct loans	0.50	0.10	0.35
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	0.50	0.10	0.35

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	1.15	0.60	0.90
Less Secondary Guarantees	-*	...	...
Less Guarantees of Direct Loans	-0.25	-0.05	-0.15
Primary Loan Guarantee Commitments	0.90	0.55	0.75

*Less than $25 million

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

451: Community Development
452: Area and Regional Development
453: Disaster Relief and Insurance

DESCRIPTION OF FUNCTION:

This function provides for urban and rural economic assistance, area and regional development programs and disaster assistance programs. Community development block grants account for almost half of the outlays in this function. The balance is made up of a wide variety of urban and rural development and assistance grant and loan programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Community Development Block Grants
Urban Development Action Grants
Rural Development Assistance
Economic Development Assistance
Indian Assistance Programs
Disaster Relief and Disaster Loans
Flood Insurance

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Housing and Urban Development
Department of Agriculture: Farmers Home Loan Administration
Department of Commerce: Economic Development Administration
Department of Interior: Bureau of Indian Affairs
Small Business Administration

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	10.40	11.05
Fiscal Year 1979 Actual	10.05	9.55
Fiscal Year 1980 Actual	10.10	10.05
Fiscal Year 1981 Actual	8.15	9.40
Fiscal Year 1982 Second Budget Resolution (12/9/81)	7.10	8.70
Fiscal Year 1982 President's Request (4/9/82)	6.60	8.20
Fiscal Year 1982 Chairman's Recommendation	7.00	8.65
Fiscal Year 1983:		
President's Request (4/9/82)	6.75	7.25
CBO Baseline	7.30	7.95
Chairman's Recommendation	7.00	7.90
Fiscal Year 1984:		
President's Plan (4/9/82)	6.95	6.70
CBO Baseline	8.25	7.90
Chairman's Recommendation	7.15	7.60
Fiscal Year 1985:		
President's Plan (4/9/82)	7.05	6.90
CBO Baseline	9.00	8.40
Chairman's Recommendation	7.35	7.70

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline	7.30	7.95	8.25	7.90	9.00	8.40
Adjustments[1/]	...	+0.15	...	...	...	...
Revised Baseline	7.30	8.10	8.25	7.90	9.00	8.40
Major Policy Issues						
1. Effect of Discretionary Program Freeze	-0.45	-0.20	-1.25	-0.40	-1.80	-0.90

The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
2. Other Policy Issues	+0.15	...	+0.15	+0.10	+0.15	+0.20
• Rental Rehabilitation Initiative	(+0.15)	(...)	(+0.15)	(+0.10)	(+0.15)	(+0.20)

Additional funding is assumed of $150 million in budget authority to allow for a rental rehabilitation initiative or an expansion of the current section 312 rehabilitation program. The President has proposed an initiative in this area.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
The total budget amounts for discretionary spending provided in the Recommendation may require additional reductions in some areas to fulfill funding requirements in others such as the Rental Rehabilitation Initiative.						
Subtotal, Changes from Current Policy Baseline.......................	(-0.30)	(-0.20)	(-1.10)	(-0.30)	(-1.65)	(-0.70)
CHAIRMAN'S RECOMMENDATION............	7.00	7.90	7.15	7.60	7.35	7.70

---

[1] Adjustments for impact of 1982 supplementals not include in CBO baseline.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Rental Rehabilitation Grants Initiative.........	...	...	...	...	...	...	0.15	...	0.15	...
HUD-Management and Administration, S&B	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Community Development Block Grants.......	3.70	4.05	3.45	4.00	3.70	3.50	3.55	3.35	3.45	3.50
Urban Development Action Grants......	0.70	0.35	0.45	0.50	0.50	0.55	0.45	0.55	0.45	0.55
Appalachian Regional Development Programs	0.30	0.35	0.15	0.35	0.15	0.25	0.10	0.30	0.15	0.25
Farmers Home Administration, S&B.......	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Rural Water and Waste Disposal Grants....	0.20	0.25	0.10	0.25	0.15	0.20	0.10	0.20	0.10	0.20
Rural Development Insurance Fund.....	0.20	0.30	0.20	0.50	0.35	0.70	0.35	0.70	0.35	0.70
Economic Development Administration.....	0.45	0.50	0.20	0.35	0.20	0.25	...	0.25	0.20	0.25

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Bureau of Indian Affairs - Operation..	0.50	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50
Bureau of Indian Affairs Construction.	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Tennessee Valley Authority Fund.......	0.20	0.15	0.15	0.20	0.15	0.20	0.10	0.15	0.15	0.15
Disaster Relief.......	0.35	0.40	0.30	0.45	0.35	0.45	0.35	0.40	0.30	0.40
SBA Disaster Loan Fund.................	0.30	1.10	...	-0.05	...	0.10	...	-0.30	...	-0.10
National Flood Insurance............	0.10	0.05	0.15	0.15	0.10	0.10	0.05	0.10	0.10	0.10

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

1983 Credit Budget Recommendation

(In millions of dollars)

Program	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Rural Development Insurance Fund...............	1,127	948	1,089	1,527	1,196	1,527
Rural Telephone Bank......	236	185	185	...	...	...
Disaster Loan Fund........	680	440	440	...	...	...
Rehabilitation Loan Fund..	63	...	63	...	...	...
Community Development Grants..................	...	...	...	244	...	110
Federal Financing Bank....	1,316	1,316	1,306	...	...	...
All Other.................	54	22	47	190	16	183
TOTAL.....................	3,476	2,911	3,130	1,961	1,212	1,820

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	1.90	1.40	1.65
Off-budget	1.55	1.50	1.50
Subtotal, gross direct loans	3.45	2.90	3.15
Less Loan Assets sold to FFB	-1.20	-1.20	-1.20
Net Direct Loans	2.25	1.70	1.95

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	1.95	1.20	1.80
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	-1.30	-1.30	-1.30
Primary Loan Guarantee Commitments	0.65	-0.10	0.50

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

501: Elementary, Secondary, and Vocational Education
502: Higher Education
503: Research and General Education Aids
504: Training and Employment Services
505: Other Labor Services
506: Social Services

DESCRIPTION OF FUNCTION:

This function includes programs designed to promote the general extension of knowledge and skills and to assist individuals to become self-supporting members of society: child development, elementary, secondary, vocational, and higher education programs; employment and training programs; and grants to States for general social services and rehabilitation services. Funds in this function may be made available as income support directly related to training or education; cash payments (scholarships, loans or stipends) to persons to enable them to participate in education or training programs; grants to States, local governments, Indian tribes, or public and private institutions to operate local educational, employment, training, or social service programs; and direct research and departmental management expenditures.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Elementary and Secondary Education (ESEA)
Occupational, Vocational and Adult Education
Higher Education Student Assistance
Higher and Continuing Education
Comprehensive Employment and Training Act (CETA) Program
Grants to States for Social and Child Welfare Services
Human Development Services

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Education
Department of Health and Human Services
Department of Labor
Department of Interior
ACTION, and Various Other Independent Agencies

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	22.40	26.45
Fiscal Year 1979 Actual	32.55	29.70
Fiscal Year 1980 Actual	30.65	30.75
Fiscal Year 1981 Actual	30.55	31.40
Fiscal Year 1982 Second Budget Resolution (12/9/81)	26.20	26.85
Fiscal Year 1982 President's Request (4/9/82)	23.80	27.95
Fiscal Year 1982 Chairman's Recommendation	25.45	28.20
Fiscal Year 1983:		
President's Request (4/9/82)	19.05	21.90
CBO Baseline	28.45	28.00
Chairman's Recommendation	27.45	27.45
Fiscal Year 1984:		
President's Plan (4/9/82)	17.65	19.20
CBO Baseline	30.25	29.45
Chairman's Recommendation	28.15	27.90
Fiscal Year 1985:		
President's Plan (4/9/82)	17.65	17.70
CBO Baseline	31.75	30.85
Chairman's Recommendation	28.20	28.10

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline...............	28.45	28.00	30.25	29.45	31.75	30.85
Adjustments1/..........................	+0.10	+0.10	+0.10	+0.10	+0.10	+0.10
Revised Baseline......................	28.55	28.10	30.35	29.55	31.85	30.95
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-1.35	-0.55	-2.55	-1.80	-4.05	-3.10

The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process. Although it is not assumed the freeze will be applied uniformly to all programs, the recommendation below assumes that additional adjustments may need to be made in selected programs.

For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
2. Other Policy Issues...............	+0.25	-0.10	+0.35	+0.15	+0.40	+0.25
• Elementary, Secondary, and Vocational Education..............	(+0.20)	(*)	(+0.40)	(+0.20)	(+0.50)	(+0.40)
The recommendation assumes a fiscal year 1983 funding level of $6.3 billion in budget authority and $6.4 billion in outlays for elementary, secondary, and vocational education programs. The President's April budget proposed $4.4 billion in budget authority and $5.5 billion in outlays. The recommendation is $0.20 billion in budget authority above the freeze level which could be allocated to compensatory, handicapped, and Indian education programs.						
• Student Financial Assistance....	(+0.25)	(*)	(+0.35)	(+0.25)	(+0.40)	(+0.35)
The recommendation assumes a fiscal year 1983 funding level of $3.6 billion in budget authority and $3.4 billion in outlays for student financial assistance programs: Pell grants, college work study, national direct student loans, supplemental education opportunity grants, and State student incentive grants. The President's April budget proposed a funding level of $1.8 billion in budget authority and $3.1 billion in outlays. The recommendation assumes a funding level of $0.25 billion in budget authority above the freeze level						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
which could provide a funding level at the CBO baseline which is equal to 95 percent of the fiscal year 1981 appropriation and which could offset increases in college tuition.						
• Training Programs..............	(+0.40)	(+0.30)	(+0.40)	(+0.40)	(+0.40)	(+0.40)
The recommendation assumes a fiscal year 1983 funding level for training programs of $4.15 billion in budget authority and $4.1 billion in outlays. The President's April budget proposed $2.4 billion in budget authority and $2.2 billion in outlays. The recommendation assumes the enactment of a new comprehensive training program, tied to the private sector, which will enable eligible individuals to obtain unsubsidized employment.						
• Changes in interest rates as a result of deficit reduction.......	(-0.60)	(-0.40)	(-0.80)	(-0.70)	(-0.90)	(-0.90)
The adoption of a credible deficit reduction plan is expected to reduce interest rates.						
Subtotal, Changes from Current Policy Baseline......................	(-1.10)	(-0.65)	(-2.20)	(-1.65)	(-3.65)	(-2.85)
CHAIRMAN'S RECOMMENDATION...............	27.45	27.45	28.15	27.90	28.20	28.10

---

†/ Less than $25 million.

1/ Adjustments for impact of 1982 supplementals not included in CBO baseline.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
Program	BA	O	BA	O	BA	O	BA	O	BA	O
Compensatory Education	3.10	3.35	2.90	3.00	3.10	2.95	1.95	2.55	2.90	2.95*
Indian Education	0.35	0.30	0.35	0.35	0.35	0.35	0.30	0.30	0.35	0.35*
Handicapped Education	1.05	1.05	1.05	1.10	1.15	1.10	0.85	0.90	1.05	1.05*
Impact Aid	0.65	0.70	0.45	0.65	0.50	0.55	0.30	0.40	0.45	0.55
Vocational and Adult Education	0.80	0.75	0.75	1.00	0.80	0.75	0.50	0.65	0.75	0.75
Student Financial Assistance	3.80	3.90	3.35	3.50	3.60	3.40	1.80	3.15	3.35	3.35*
Training Assistance	7.15	6.85	3.75	3.80	4.05	4.00	2.40	2.20	3.75	3.80*
WIN	0.35	0.40	0.25	0.25	0.25	0.25	...	**	0.25	0.25
Older Americans Employment	0.30	0.25	0.25	0.25	0.30	0.25	...	**	0.25	0.25
Discretionary Social Services	2.60	2.95	2.40	2.45	2.55	2.55	1.95	2.10	2.40	2.45

*Recommendation assumes a higher level of funding for discretionary programs than the freeze level. See Summary of Recommendations.

**Less than $25 million.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Effect of Recommendations on Major Mandatory Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	0	BA	0	BA	0	BA	0	BA	0
Guaranteed Student Loans Current Law	2.55	2.25	3.20	3.05	3.90	3.70	3.40	3.30	3.90	3.70
Proposed Legis. Savings..........	...	...	...	...	...	...	-0.80	-0.65	...	...
Subtotal	2.55	2.25	3.20	3.05	3.90	3.70	2.60	2.65	3.90	3.70
Social Services Title XX Current Law..............	2.90	2.90	2.40	2.40	2.45	2.45	2.45	2.45	2.45	2.45
Proposed Legis. Savings..........	...	...	...	...	...	...	-0.50	-0.50	...	...
Subtotal	2.90	2.90	2.40	2.40	2.45	2.45	1.95	1.95	2.45	2.45

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

1983 Credit Budget Recommendation

(In millions of dollars)

	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
Program	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Guaranteed Student Loans...	590	548	590	7,250	10,300	7,250
National Direct Student Loans....................	193	...	179	...	...	...
College Housing Loans......	81	100	76	...	...	...
TOTAL......................	864	648	845	7,250	10,300	7,250

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	0.85	0.65	0.85
Off-budget	...	...	...
Subtotal, gross direct loans	0.85	0.65	0.85
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	0.85	0.65	0.85

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	7.25	10.30	7.25
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	...	...	...
Primary Loan Guarantee Commitments	7.25	10.30	7.25

FUNCTION 550: HEALTH

551: Health Care Services
552: Health Research
553: Education and Training of Health Care Work Force
554: Consumer and Occupational Health and Safety

DESCRIPTION OF FUNCTION:

The major purpose of programs in this function is to promote the physical and mental health of the population. Programs include financing of medical care for aged, poor, and disabled persons; provision of health care for certain population groups such as American Indians; and grants to States, localities, and community groups to support health services programs. The function also includes research into the causes and cures of diseases; promotion of consumer and occupational health and safety; training support for health workers and researchers; and food, drug, and other product safety and inspection programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Health Insurance for the Aged and Disabled (Medicare)
Grants to States for Medical Assistance Programs (Medicaid)
National Institutes of Health
Alcoholism, Drug Abuse and Mental Health Research, Training and Services
Health Resources Development
Health Services to Designated Population Groups
Disease Prevention and Control

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Health and Human Services
Department of Labor
Office of Personnel Management
Department of Agriculture: Food Safety and Quality Service

FUNCTION 550: HEALTH

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	44.05	41.25
Fiscal Year 1979 Actual	51.25	46.95
Fiscal Year 1980 Actual	56.90	55.20
Fiscal Year 1981 Actual	68.95	66.00
Fiscal Year 1982 Second Budget Resolution (12/9/81)	83.50	73.35
Fiscal Year 1982 President's Request (4/9/82)	79.05	73.45
Fiscal Year 1982 Chairman's Recommendation	79.05	73.75
Fiscal Year 1983:		
President's Request (4/9/82)	77.15	77.50
CBO Baseline	81.20	82.65
Chairman's Recommendation	77.30	80.10
Fiscal Year 1984:		
President's Plan (4/9/82)	80.70	84.25
CBO Baseline	94.60	93.65
Chairman's Recommendation	81.70	89.65
Fiscal Year 1985:		
President's Plan (4/9/82)	92.95	92.90
CBO Baseline	106.75	107.20
Chairman's Recommendation	94.10	101.25

FUNCTION 550: HEALTH

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline...............	81.20	82.65	94.60	93.65	106.75	107.20
Adjustments 1/......................	-0.20	...	-0.15	...	-0.05	...
Revised Baseline......................	81.00	82.65	94.45	93.65	106.70	107.20
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-0.55	-0.45	-0.95	-0.90	-1.45	-1.45

The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process. Although the overall freeze affords flexibility within the appropriations process, additional adjustments may need to be made.

For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
2. Entitlement Savings...............	-0.15	-2.20	+0.10	-3.35	-0.65	-4.85
The recommendation assumes savings in medicare, which may include proposals such as the following:	(-0.10)	(-2.15)	(+0.10)	(-3.35)	(+0.30)	(-3.90)

- Reimburse radiologists and pathologists at 80 percent of reasonable charges.
- Make medicare the secondary payor for the working elderly by requiring their inclusion in the employer's health insurance plan.

BEST DOCUMENT AVAILABLE

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
• Delay medicare eligibility to the first full month after a person reaches age 65.						
• Enact reforms to limit medicare hospital reimbursement. Among the available options are reimbursing hospitals on a prospective basis, adopting changes to deny hospital reimbursements which are highly in excess of the costs of comparable hospitals in the same geographic area, and making changes in the treatment of capital investments.						
• Eliminate waiver of liability for providers who deliver uncovered services.						
• Eliminate special 5 percent routine nursing care differential now paid hospitals. Evidence does not exist that elderly patients require more routine nursing care than other patients.						
• Accept President's proposal for improving operations through administrative actions such as increasing utilization review, eliminating subsidy for private hospital rooms and others.						
The recommendation assumes savings in medicaid which may include proposals such as the following:......................	(-0.05)	(-0.05)	(*)	(*)	(-0.95)	(-0.95)
• Apply sanctions on States with excessive medicaid elibility error rates.						

BEST DOCUMENT AVAILABLE

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
• Extend legislation which reduces Federal matching payments to States. The provision, enacted in 1981, expires at the end of 1984. It provides that the Federal medicaid payment will be reduced for those States whose medicaid cost increases exceed a stipulated rate. Net savings of $0.880 billion would be achived by fiscal year 1985. The savings level assumes that beginning in 1984, States would be allowed to offset a portion of the reduction by developing cost effective prospective hospital reimbursement systems.						
3. Other Policy Issues..............	-3.00	+0.10	-11.90	+0.25	-10.50	+0.35
Medicaid Improvement............	(+0.05)	(+0.05)	(+0.05)	(+0.05)	(+0.05)	(+0.05)
Increase State flexibility to improve medicaid by providing appropriate in-home care where such services currently are not covered, but would be more cost efficient than institutional care................						
Borrowing Among Social Security Trust Funds.....................	(-3.20)	(...)	(-12.25)	(...)	(-10.90)	(...)
The recommendation assumes the budget authority displayed in the President's budget as a proposed transfer from Function 550: Health to Function 600: Income Security. These amounts are as follows: $3.05 billion in fiscal year 1983, $11.35 billion in fiscal year 1984, and $8.70 billion in fiscal year 1985. The recommendation also includes the interest loss effect resulting from the transfer.						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Discretionary Health Programs.........	(+0.15)	(+0.05)	(+0.30)	(+0.20)	(+0.35)	(+0.30)
The recommendation assumes increased funding above the freeze level for discretionary health programs, including biomedical research and health services - particularly the immunization program which is funded under health services.						
Subtotal, Changes from Current Policy Baseline..........................	(-3.70)	(-2.55)	(-12.75)	(-4.00)	(-12.60)	(-5.95)
CHAIRMAN'S RECOMMENDATION...............	77.30	80.10	81.70	89.65	94.10	101.25

* Less than $25 million.

1/ Adjustment reflects the impact of 1982 revenue change on trust funds.

FUNCTION 550: HEALTH

Effect of Freeze If Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
Program	BA	O	BA	O	BA	O	BA	O	BA	O
Health Services	3.15	3.35	2.80	4.35	2.80	3.95	2.45	3.80	2.65 1/	3.75*
Biomedical Research	3.75	3.85	3.80	3.85	4.10	4.00	3.95	3.95	3.80	3.85*
Education & Training	0.65	0.80	0.45	0.65	0.45	0.50	0.35	0.45	0.40 2/	0.50*
Consumer & Occupational Health & Safety	1.05	1.05	1.00	1.00	1.10	1.10	1.05	1.05	1.05 3/	1.00*

*Recommendation may assume a higher level of funding for discretionary programs than the freeze level. See Summary of Recommendation.

1/The $0.15 billion reduction in the freeze level compared to the freeze base primarily results from the closure and transfer of PHS hospitals under legislation enacted in 1981.

2/The $0.05 billion reduction in the freeze level compared to the freeze base is primarily due to one time construction assistance grants issued in 1982 to Tufts University Science Center and the University of Oregon School of Medicine.

3/The $0.05 billion increase in the freeze level compared to the freeze base results from the inclusion of increases associated with salaries and related expenses for regulatory activities in the Food and Drug and Occupational Safety and Health Administrations.

FUNCTION 550: HEALTH

Effect of Recomendations on Major Mandatory Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	O	BA	O	BA	O	BA	O	BA	O
Medicare-Current Law	41.95	39.15	50.90	45.05	56.55	52.80	56.90	51.80	56.55	52.80
Proposed Legis. Savings...........	...	...	...	...	...	...	+1.15	-1.70	-0.05	-2.15
Proposed Legis. Transfer to OASI Trust Fund......	...	...	...	...	...	...	-3.05	...	-3.20	...
Subtotal	41.95	39.15	50.90	45.05	56.55	52.80	55.00	50.10	53.30	50.65
Medicaid-Current Law...............	17.55	16.95	18.40	17.85	14.55	19.15	14.35	18.90	14.55	19.15
Proposed Legis. Savings...........	...	...	...	...	...	...	-1.45	-1.90	-0.05	-0.05
Proposed Legis. Improvements.......	...	...	...	...	...	...	...	...	+0.05	+0.05
Subtotal	17.55	16.95	18.40	17.85	14.55	19.15	12.90	17.00	14.55	19.15

BEST DOCUMENT AVAILABLE

FUNCTION 550: HEALTH

1983 Credit Budget Recommendation

(In millions of dollars)

Program	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Health Professions and other Loans............	108	39	54	161	105	117
Federal Financing Bank....	17	17	17	...	...	...
TOTAL.....................	125	56	71	161	105	117

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	0.10	0.05	0.05
Off-budget	*	*	*
Subtotal, gross direct	0.10	0.05	0.05
Less Loan Assets sold to FFB	-*	-*	-*
Net Direct Loans	0.10	0.05	0.05

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	0.15	0.10	0.10
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	-*	-*	-*
Primary Loan Guarantee Commitments	0.15	0.10	0.10

* Less than $25 million

FUNCTION 600: INCOME SECURITY

601: General Retirement and Disability Insurance
602: Federal Employee Retirement and Disability
603: Unemployment Compensation
604: Housing Assistance
605: Food and Nutrition Assistance
609: Other Income Security

DESCRIPTION OF FUNCTION:

Programs in this function provide cash and in-kind benefits to people who need permanent or temporary income assistance. Over half of the estimated outlays will go to retirees through such programs as social security, Federal civilian retirement, and railroad retirement. In-kind assistance benefits include food stamps and other food programs, as well as subsidized housing. Cash assistance benefits include aid to families with dependent children (AFDC), supplemental security income (SSI), and special benefits for disabled coal miners. Cash benefits for the disabled are provided through special programs, the largest of which is the disability component of social security. Finally, unemployment benefits for workers temporarily out of work are included in this function.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Old-Age, Survivors and Disability Insurance
Railroad Retirement
Special Benefits for Disabled Coal Miners
Federal Employment Retirement and Disability
Unemployment Compensation
Supplemental Security Income (SSI)
Grants to States for Maintenance Payments (Primarily AFDC)
Housing Assistance
Food Stamps
Child Nutrition
Refugee Assistance
Low-Income Energy Assistance
Earned Income Tax Credit

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Office of Personnel Management
Department of Agriculture: Food and Nutrition Service
Department of Health and Human Services
Department of Housing and Urban Development
Department of Labor
Railroad Retirement Board
Department of State

FUNCTION 600: INCOME SECURITY

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	180.10	146.20
Fiscal Year 1979 Actual	191.90	160.15
Fiscal Year 1980 Actual	224.20	193.10
Fiscal Year 1981 Actual	249.90	225.10
Fiscal Year 1982 Second Budget Resolution (12/9/81)	262.70	239.70
Fiscal Year 1982 President's Request (4/9/82)	250.75	249.70
Fiscal Year 1982 Chairman's Recommendation	261.05	251.55
Fiscal Year 1983:		
President's Request (4/9/82)	257.00	262.00
CBO Baseline	288.05	275.05
Chairman's Recommendation	286.25	273.05
Fiscal Year 1984:		
President's Plan (4/9/82)	282.50	276.00
CBO Baseline	306.15	293.15
Chairman's Recommendation	314.35	289.75
Fiscal Year 1985:		
President's Plan (4/9/82)	310.95	291.50
CBO Baseline	341.00	317.00
Chairman's Recommendation	344.45	312.00

FUNCTION 600: INCOME SECURITY

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline...............	288.05	275.05	306.65	293.15	341.10	317.00
Adjustments[1/]......................	-3.45	-1.20	-0.55	-1.30	-0.35	-1.35
Revised Baseline.....................	284.60	273.85	306.10	291.85	340.75	315.65
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-1.30	-0.40	-2.65	-0.80	-4.25	-1.45
The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.						
For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.						
2. Entitlement Savings..............	-0.65	-0.90	-1.15	-2.00	-1.65	-3.10
• Federal Employees Compensation Act...............	(-0.05)	(-0.05)	(-0.10)	(-0.10)	(-0.10)	(-0.10)
The recommendation assumes fiscal year 1983 budget authority and outlay savings of $0.05 billion by accepting the President's						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
proposal to limit payments under the Federal Employees Compensation Act (FECA) for Federal employees injured on the job to 80 percent of take home pay, equalize payments to employees regardless of grade level, extend waiting period from 3 to 7 days and make other changes.						
• Child Support Enforcement........	(-0.10)	(-0.10)	(-0.10)	(-0.10)	(-0.10)	(-0.10)
The recommendation assumes annual budget authority and outlay savings of $0.10 billion by restructuring the Child Support Enforcement program, including greater incentives for states to collect child support payments from absent parents.						
• Error Rate Reduction.............	(-0.45)	(-0.45)	(-0.65)	(-0.65)	(-0.85)	(-0.85)
The recommendation assumes fiscal year 1983 budget authority and outlay savings of $0.45 billion from savings in the Food Stamp and Aid to Families with Dependent Children (AFDC) programs from a quality control sanction system as well as savings in the Supplemental Security Income [illegible] program. Since the SSI [illegible] is administered by the Federal Government, fiscal sanctions are not feasible. [illegible] savings of $0.[illegible]5 billion could be achieved if the error rate were reduced for the SSI program as						

BEST DOCUMENT AVAILABLE

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
the administration proposes for AFDC and food stamps. The outyear savings estimates assume continued reductions in erroneous payments, but not necessarily achievement of the zero error rate by fiscal year 1986 which the administration set as a goal. This recommendation reflects the concern that the incremental costs required to completely eliminate erroneous payments would exceed the savings in benefit payments.						
• COLA Guarantee.................	(-0.05)	(-0.30)	(-0.30)	(-1.15)	(-0.60)	(-2.05)
The recommendation assumes that the Congress will reject the zero percent COLA adjustment in fiscal year 1983 which the Senate Budget Committee proposed and the President has endorsed.						
The recommendation assumes a guaranteed 4 percent cost-of-living adjustment (COLA) in the Federal employee retirement programs and the special benefits for disabled coal miners (black lung) program effective October 1, 1982 through fiscal year 1985 and a similar guarantee for the railroad retirement program effective June 1, 1983 through fiscal year 1985.						
3. Other Policy Issues..............	+3.60	+0.50	+12.05	+0.70	+9.60	+0.90
• Borrowing Among the Social Security Trust Funds...........	(+3.05)	(...)	(+11.35)	(...)	(+8.70)	(...)
The recommendation assumes the estimated borrowing from the Health Insurance fund which was included for purposes of display in the President's						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
budget. The President's budget notes that the balances in the Old Age and Survivors Insurance fund will not be sufficient to continue benefit payments throughout fiscal year 1983 but defers specific recommendations on how to maintain the solvency of this trust fund until after the National Commission on Social Security Reform submits its report later this year.						
• Civil Service Retirement.......	(+0.40)	(...)	(+0.40)	(...)	(+0.40)	(...)
Without making any judgement on the merits of the dispute, the recommendation assumes that the Executive Branch will collect the funds which it alleges are owed to the Civil Service Retirement trust fund by the Postal Service as a result of the pay raises granted in the recent labor contract. The recommendation assumes the Postal Service's estimate of the amount in dispute, which is $0.40 billion annually. The President's budget included annual savings of $0.60 billion from this dispute. This recommendation is included as income and budget authority to the trust fund in this function and as an offsetting receipt in Function 950.						
• Disability Amendments (H.R. 6181)....................	(...)	(+0.05)	(...)	(+0.05)	(...)	(+0.05)
The recommendation includes $0.05 billion in outlays to accommodate the Disability Amendments of 1982 (H.R. 6181) which would rectify inequities						

In billions of dollars	FY 1983 Budget BA	FY 1983 Budget O	FY 1984 Plan BA	FY 1984 Plan O	FY 1985 Plan BA	FY 1985 Plan O
in Social Security's Disability Insurance Program created by disability legislation enacted in 1980 and 1981. The legislation is currently under consideration by the Committee on Ways and Means.						
• Social Security Salary and Expenses............	(...)	(+0.35)	(...)	(+0.35)	(...)	(+0.35)
The recommendation assumes the President's request for salaries and expenses of the Social Security Administration to ensure that the Executive Branch has the resources which it considers necessary to make accurate and timely benefit payments in this program. The President's request of $3.40 billion in outlays for fiscal year 1983 is an increase of $0.35 billion over the fiscal year 1982 level.						
• Public Housing Operating Subsidies............	(+0.15)	(+0.10)	(+0.20)	(+0.20)	(+0.30)	(+0.30)
The recommendation includes an increase of $0.15 billion in budget authority and $0.10 billion in outlays over the current policy baseline and the President's request for public housing operating subsidies which maintain the current housing stock and also partially offset the increase in utility costs.						
• Special Suppplemental Food (WIC).........................	(...)	(...)	(+0.10)	(+0.10)	(+0.20)	(+0.20)
The recommendation assumes a program freeze level for the Special Supplemental Food (WIC) program of $1.00 billion in fiscal year 1983. This level						

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
includes the $0.05 billion in unobligated prior year funds which the conference agreement on the Agriculture Appropriations Act for Fiscal Year 1982 included in the program level. Because numerous studies have demonstrated this program to be cost-effective in terms of reducing spending for medical care, the program level is increased by $0.10 billion in fiscal year 1984 and $0.20 billion in fiscal year 1985.						
Subtotal, Changes from Current Policy Baseline......................	(+1.65)	(-0.80)	(+8.25)	(-2.10)	(+3.70)	(-3.65)
CHAIRMAN'S RECOMMENDATION............	286.25	273.05	314.35	289.75	344.45	312.00

1/ Adjustment for revenue change impact on trust funds; and lower than anticipated COLAs.

FUNCTION 600: INCOME SECURITY

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Social Security Salary and Expenses.....	...	2.80	...	3.10	...	3.20	...	3.45	...	3.10*
Railroad Retirement Windfall Benefit.......	0.35	0.35	0.40	0.40	0.40	0.40	0.35	0.35	0.40	0.40
Subsidized Housing.......	24.85	5.75	17.40**	6.75	18.35	7.85	-5.25	7.35	17.40	7.85
Public Housing Operating Subsidy.......	1.05	0.95	1.15	1.30	1.25	1.20	1.10	1.10	1.15	1.15*
Food Donations..	0.20	0.10	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
WIC.............	0.95	0.95	1.00	1.00	1.05	1.05	0.65	0.70	1.00	1.00
Energy Assistance	1.85	1.85	1.90	2.00	1.90	1.90	1.30	1.30	1.90	1.90
Refugee Assistance	0.90	0.70	0.65	0.85	0.60	0.65	0.55	0.65	0.55	0.65

*Recommendation assumes a higher level of funding for discretionary programs than the freeze level. See Summary of Recommendations.
**Account shown on gross basis to reflect actual program level.

5-8-82

FUNCTION 600: INCOME SECURITY

Effect of Recommendations on Major Mandatory Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	O	BA	O	BA	O	BA	O	BA	O
Social Security........	132.95	154.65	147.10	155.60	159.80	170.85	161.55	170.10	159.80	171.05
Proposed Legislation:										
• Railroad transfer..	...	...	...	...	...	...	+3.65	+3.60	...	...
• Interfund borrowing	...	...	...	...	...	...	+3.05	...	+3.05	...
Proposed Legislative Program Improvements:										
• Disability Amendments (HR 6181)....	...	...	...	...	...	...	...	...	...	+0.05
Subtotal, Social Security............	132.95	154.65	147.10	155.60	159.80	170.85	168.25	173.70	162.85	171.10
Railroad Retirement....	4.70	5.70	5.50	5.70	5.90	6.15	5.85	6.05	5.90	6.15
Proposed Legislation.	...	...	...	...	...	...	-5.50	-5.70	...	...
Subtotal, Railroad Retirement..........	4.70	5.70	5.50	5.70	5.90	6.15	0.35	0.35	5.90	6.15
FECA..................	0.30	0.25	0.35	0.25	0.40	0.40	0.40	0.40	0.40	0.40
Proposed Legislative Savings............	...	...	...	...	...	...	-0.05	-0.05	-0.05	-0.05
Subtotal, FECA.........	0.30	0.25	0.35	0.25	0.40	0.40	0.35	0.35	0.35	0.35
Federal Retirement.....	28.50	17.30	32.55	19.35	34.85	21.55	34.65	21.20	35.20	21.50
Proposed Legislative Savings............	...	...	...	...	...	...	...	-0.50	...	...
Subtotal, Federal Retirement..........	28.50	17.30	32.55	19.35	34.85	21.55	34.65	20.70	35.20	21.50

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	O	BA	O	BA	O	BA	O	BA	O
Unemployment Compensation	19.05	19.65	21.55	24.00	21.80	24.95	21.35	22.10	21.80	24.95
Proposed Legislative Savings.............	...	...	...	...	...	...	-0.10	-0.10	...	...
Subtotal, Unemployment Compensation.........	19.05	19.65	21.55	24.00	21.80	24.95	21.25	22.00	21.80	24.95
Food Stamps............	11.45	11.25	11.60	11.50	12.75	12.75	12.65	12.60	12.75	12.75
Proposed Legislative Savings.............	...	...	...	...	...	...	-2.30	-2.25	-0.20	-0.20
Subtotal, Food Stamps..	11.45	11.25	11.60	11.50	12.75	12.75	10.35	10.35	12.55	12.55
Child Nutrition........	3.90	3.80	3.40	3.45	3.70	3.60	3.60	3.40	3.70	3.60
Proposed Legislative Savings.............	...	...	...	...	...	...	-0.35	-0.30	...	...
Subtotal, Child Nutrition............	3.90	3.80	3.40	3.45	3.70	3.60	3.25	3.10	3.70	3.60
SSI....................	7.25	7.20	7.80	7.90	8.95	8.95	9.20	9.20	8.95	8.95
Proposed Legislative Savings.............	...	...	...	...	...	...	-0.30	-0.30	...	...
Subtotal, SSI..........	7.25	7.20	7.80	7.90	8.95	8.95	8.90	8.90	8.95	8.95
AFDC/CSE...............	8.50	8.50	6.10	8.10	7.35	7.35	7.15	7.15	7.40	7.40
Proposed Legislative Savings.............	...	...	...	...	...	...	-1.30	-1.30	-0.35	-0.35
Subtotal, AFDC/CSE.....	8.50	8.50	6.10	8.10	7.35	7.35	5.85	5.85	7.05	7.05
COLA Guarantee.........	...	...	...	...	...	...	...	...	-0.05	-0.30

FUNCTION 600: INCOME SECURITY

1983 Credit Budget Recommendation

(In millions of dollars)

Program	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Pension Benefit Guaranty Corporation..............	3	3	3	...	...	...
Assisted Housing...........	1,002	1,002	1,002	19,771	19,771	19,771
Federal Financing Bank....	1,026	1,026	1,026	...	...	...
TOTAL......................	2,031	2,031	2,031	19,771	19,771	19,771

SUMMARY OF RECOMMENDATION

(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	1.00	1.00	1.00
Off-budget	1.05	1.05	1.05
Subtotal, gross direct loans	2.05	2.05	2.05
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	2.05	2.05	2.05

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	19.75	19.75	19.75
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	-1.05	-1.05	-1.05
Primary Loan Guarantee Commitments	18.70	18.70	18.70

FUNCTION 700: VETERANS BENEFITS AND SERVICES

701: Income Security for Veterans
702: Veterans Education, Training, and Rehabilitation
703: Hospital and Medical Care for Veterans
704: Veterans Housing
705: Other Veterans Benefits and Services

DESCRIPTION OF FUNCTION:

Most programs in this function are administered by the Veterans Administration in support of former members of the armed services and their survivors and dependents. Over half of the outlays in this function are for income security programs: compensation, pensions, and life insurance. Nearly one-third of the outlays are targeted at hospital and medical care for veterans, and about one-tenth of the outlays fund veterans education, training, and rehabilitation. Housing and other benefits comprise the remainder. Nearly the entire function requires current action by Congress, yet most of these outlays are virtually uncontrollable because of the entitlement nature of the major programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Veterans Disability Compensation
Veterans Pensions
Veterans Education and Training (GI Bill)
Veterans Hospital and Medical Care
Veterans Guaranteed Housing Loans
Veterans Life Insurance

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Veterans Administration

FUNCTION 700: VETERANS BENEFITS AND SERVICES

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	19.05	19.00
Fiscal Year 1979 Actual	20.50	19.90
Fiscal Year 1980 Actual	21.20	21.20
Fiscal Year 1981 Actual	23.15	23.00
Fiscal Year 1982 Second Budget Resolution (12/9/81)	24.80	24.05
Fiscal Year 1982 President's Request (4/9/82)	24.80	24.15
Fiscal Year 1982 Chairman's Recommendation	24.80	23.80
Fiscal Year 1983:		
President's Request (4/9/82)	25.65	24.40
CBO Baseline	24.75	24.70
Chairman's Recommendation	23.75	23.05
Fiscal Year 1984:		
President's Plan (4/9/82)	26.30	25.60
CBO Baseline	26.10	25.60
Chairman's Recommendation	24.45	23.85
Fiscal Year 1985:		
President's Plan (4/9/82)	27.05	26.95
CBO Baseline	27.20	26.85
Chairman's Recommendation	24.85	24.75

5/10/82

FUNCTION 700: VETERANS BENEFITS AND SERVICES

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget BA	FY 1983 Budget O	FY 1984 Plan BA	FY 1984 Plan O	FY 1985 Plan BA	FY 1985 Plan O
Current Policy Baseline	24.75	24.70	26.10	25.60	27.20	26.85
Adjustments1/	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Revised Baseline	24.65	24.60	26.00	25.50	27.10	26.75

Major Policy Issues

1. Effect of Discretionary Program Freeze	-0.40	-0.35	-0.65	-0.60	-0.90	-0.85

The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. In addition, $0.15 billion of the savings results from the fiscal year 1983 impact of the absorption rate assumed for the fiscal year 1982 pay supplemental. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.

2. Entitlement Savings	-0.40	-0.40	-0.80	-0.80	-1.25	-1.25

The recommendation assumes $0.4 billion in legislative savings from the following changes in veterans' benefits:

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
• Delaying benefit payments until the first full month of entitlement..................	(-0.05)	(-0.05)	(-0.05)	(-0.05)	(-0.05)	(-0.05)
• Rounding benefit checks down to the lower dollar..............	*	*	*	*	*	*
• Phasing out student benefits in the pension program...........	*	*	*	*	*	*
• Eliminating duplicate benefits to dependents and adjusting checks at the end of the month in which family circumstances change (instead of the end of the year)................	(-0.05)	(-0.05)	(-0.05)	(-0.05)	(-0.05)	(-0.05)
• COLA Guarantee						
The recommendation assumes that the Congress will reject the zero percent COLA adjustment in fiscal year 1983, which the Senate Budget Committee proposed and the President has endorsed. The recommendation assumes a guaranteed 4 percent cost-of-living adjustment in veterans' compensation benefits effective October 1, 1982 through fiscal year 1985, and a similar guarantee for veterans' pensions effective June 1, 1983 through fiscal year 1985................	(-0.35)	(-0.35)	(-0.70)	(-0.70)	(-1.15)	(-1.15)
3. Other Policy Issues................	-0.10	-0.80	-0.10	-0.25	-0.10	+0.10
• Housing Asset Sales						
The President's budget proposes to sell VA housing loan assets during the next fiscal year in order to reduce the Federal deficit. The recommendation assumes this management initiative......................	(...)	(-0.70)	(...)	(-0.15)	(...)	(+0.20)

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
• Housing Loan Fee The President's budget proposes a loan origination fee of 0.5 percent on VA insured housing loans. The origination fee is estimated to generate $0.1 billion in receipts each year. A modified version exempting service-disabled veterans from the origination fee requirement is assumed in this recommendation..............	(-0.10)	(-0.10)	(-0.10)	(-0.10)	(-0.10)	(-0.10)
Subtotal, Changes from Current Policy Baseline..........................	(-0.90)	(-1.55)	(-1.55)	(-1.65)	(-2.25)	(-2.00)
CHAIRMAN'S RECOMMENDATION...............	23.75	23.05	24.45	23.85	24.85	24.75

1/ The adjustment reflects the lower than anticipated cost-of-living increase of 7.4 percent rather the 8.1 percent assumed in the baseline.

* Less than $25 million.

FUNCTION 700: VETERANS BENEFITS AND SERVICES

Effect of Freeze If Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Medical Care	6.35	6.30	6.95	6.85	7.40	7.35	7.50	7.35	7.20[1]	7.20[1]

---

[1] Approximately $0.25 billion is included to reflect the fiscal year 1983 impact of the fiscal year 1982 pay supplemental. In 1982 the total pay supplemental is carried in Function 920, Allowances

FUNCTION 700: VETERANS BENEFITS AND SERVICES

Effect of Recommendations on Major Mandatory Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	O	BA	O	BA	O	BA	O	BA	O
Compensation........	8.55	8.45	9.05	9.45	9.50	9.60	9.50	9.60	9.50	9.60
Proposed COLA...	...	...	...	...	...	...	0.75	0.70	0.40	0.35
Proposed Legis. Savings........	...		...	...	...	...	-0.15	-0.15	*	*
Pension.............	3.80	3.75	4.05	3.65	3.05	3.55	4.00	4.10	3.05	3.55
Proposed Legis. Savings........	...	...	...	...	...	...	-0.05	-0.05	-0.05	-0.05
Redjustment Benefits	2.35	2.25	1.95	1.90	1.55	1.45	1.70	1.60	1.55	1.45
Proposed legis. Savings........	...	...	...	...	...	...	-0.05	-0.05	-0.05	-0.05

* Less than $25 million.

BEST DOCUMENT AVAILABLE

FUNCTION 700: VETERANS BENEFITS AND SERVICES

1983 Credit Budget Recommendation

(In millions of dollars)

	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
Program	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Loan Guaranty Revolving Fund....................	919	919	919	20,922	20,922	20,922
VA Insurance Funds........	122	152	122	...	...	...
Federal Financing Bank....	...	...	...	...	...	...
All Other................	4	4	4	12	12	12
TOTAL....................	1,045	1,076	1,045	20,934	20,934	20,934

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	1.05	1.10	1.05
Off-budget	...	...	...
Subtotal, gross direct loans	1.05	1.10	1.05
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	1.05	1.10	1.05

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	20.95	20.95	20.95
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	...	...	...
Primary Loan Guarantee Commitments	20.95	20.95	20.95

FUNCTION 750: ADMINISTRATION OF JUSTICE

751: Federal Law Enforcement Activities
752: Federal Litigative and Judicial Activities
753: Federal Correctional Activities
754: Criminal Justice Assistance

DESCRIPTION OF FUNCTION:

The largest law enforcement programs are for the operations of the Federal Bureau of Investigation, Customs Service, Immigration and Naturalization Service which together constitute over 25 percent of total outlays in this function. Approximately 30 percent of total outlays is accounted for by Federal litigative and judicial activities. Approximately 20 percent of outlays is accounted for by criminal justice assistance and correctional activities.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Federal Bureau of Investigation
Drug Enforcement Assistance
Immigration and Naturalization
Legal Services
U.S. Customs Service
Prisons
Federal Judiciary System
Law Enforcement Assistance
Juvenile Delinquency Prevention

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Justice
Department of Treasury
Legal Services Corporation

FUNCTION 750: ADMINISTRATION OF JUSTICE

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	3.85	3.80
Fiscal Year 1979 Actual	4.25	4.15
Fiscal Year 1980 Actual	4.35	4.55
Fiscal Year 1981 Actual	4.35	4.70
Fiscal Year 1982 Second Budget Resolution (12/9/81)	4.30	4.45
Fiscal Year 1982 President's Request (4/9/82)	4.55	4.70
Fiscal Year 1982 Chairman's Recommendation	4.50	4.65
Fiscal Year 1983:		
President's Request (4/9/82)	4.60	4.70
CBO Baseline	4.80	4.80
Chairman's Recommendation	4.60	4.65
Fiscal Year 1984:		
President's Plan (4/9/82)	4.65	4.65
CBO Baseline	4.90	4.85
Chairman's Recommendation	4.60	4.60
Fiscal Year 1985:		
President's Plan (4/9/82)	4.60	4.55
CBO Baseline	5.00	5.00
Chairman's Recommendation	4.60	4.60

FUNCTION 750: ADMINISTRATION OF JUSTICE

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget BA	FY 1983 Budget O	FY 1984 Plan BA	FY 1984 Plan O	FY 1985 Plan BA	FY 1985 Plan O
Current Policy Baseline...............	4.80	4.80	4.90	4.85	5.00	5.00
Adjustments[1]......................	+*	+*	+*	+*	+*	+*
Revised Baseline......................	4.80	4.80	4.90	4.85	5.00	5.00
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-0.20	-0.15	-0.30	-0.25	-0.40	-0.40
The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.						
For illustrative purposes, a table following this summary displays the effect of the freeze _if applied uniformly_ to major programs within this function.						
Subtotal, Changes from Current Policy Baseline......................	(-0.20)	(-0.15)	(-0.30)	(-0.25)	(-0.40)	(-0.40)
CHAIRMAN'S RECOMMENDATION............	4.60	4.65	4.60	4.60	4.60	4.60

*Less than $25 million

[1] Adjustments for impact of 1982 supplementals not included in CBO baseline.

FUNCTION 750: ADMINISTRATION OF JUSTICE

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Federal Bureau of Investigation..........	0.70	0.70	0.75	0.75	0.80	0.80	0.80	0.80	0.75	0.75
Immigration and Naturalization Service.........	0.35	0.40	0.45	0.40	0.45	0.45	0.55	0.50	0.45	0.45
U.S. Customs Service....	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.50	0.50
Bureau of Alcohol, Tobacco and Firearms...	0.15	0.15	0.10	0.10	0.10	0.10	0	*	0.10	0.10
Legal Services Corporation..................	0.30	0.30	0.25	0.25	0.25	0.30	0	0.05	0.25	0.30
Law Enforcement Assistance............	0.10	0.45	0.10	0.25	0.10	0.10	*	0.10	0.10	0.10

*Less than $25 million.

FUNCTION 800: GENERAL GOVERNMENT

801: Legislative Functions
802: Executive Direction and Management
803: Central Fiscal Operations
804: General Property and Records Management
805: Central Personnel Management
806: Other General Government

DESCRIPTION OF FUNCTION:

This function covers the costs of policymaking and general overhead of the Federal Government. The largest proportion of new budget authority and outlays are attributable to operations of the Treasury Department (including the Internal Revenue Service). The balance is distributed among a large number of relatively small accounts. The Legislative Branch typically accounts for about one-fifth of the net total of the function.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Legislative Branch Activities
Federal Buildings Fund
Income-Tax Administration

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Congress and its Agencies
Executive Office of the President
Department of Treasury
General Services Administration
Office of Personnel Management
Department of Interior, Office of Territories

FUNCTION 800: GENERAL GOVERNMENT

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	4.00	3.70
Fiscal Year 1979 Actual	4.35	4.10
Fiscal Year 1980 Actual	4.60	4.50
Fiscal Year 1981 Actual	5.15	4.60
Fiscal Year 1982 Second Budget Resolution (12/9/81)	5.00	4.90
Fiscal Year 1982 President's Request (4/9/82)	5.15	5.15
Fiscal Year 1982 Chairman's Recommendation	5.20	5.05
Fiscal Year 1983:		
President's Request (4/9/82)	5.25	5.00
CBO Baseline	5.25	5.05
Chairman's Recommendation	5.00	4.85
Fiscal Year 1984:		
President's Plan (4/9/82)	5.40	5.20
CBO Baseline	5.05	4.95
Chairman's Recommendation	4.70	4.60
Fiscal Year 1985:		
President's Plan (4/9/82)	5.20	4.90
CBO Baseline	5.20	4.95
Chairman's Recommendation	4.70	4.50

FUNCTION 800: GENERAL GOVERNMENT

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline...............	5.25	5.05	5.05	4.95	5.20	4.95
Adjustments[1].......................	+*	+*	+*	+*	+*	+*
Revised Baseline......................	5.25	5.05	5.05	4.95	5.20	4.95
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-0.25	-0.20	-0.35	-0.35	-0.50	-0.45
The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process. For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.						
2. Other Policy Issues						
• IRS Salaries and Expenses.....	...	...	...	...	...	...
The recommendation assumes that the administration pro-proposed increase of $186 million in fiscal year 1983 IRS funding over the baseline amount of $2.7 billion will be accommodated within the freeze of discretionary programs at fiscal year 1982 levels.						
Subtotal, Changes from Current Policy Baseline......................	(-0.25)	(-0.20)	(-0.35)	(-0.35)	(-0.50)	(-0.45)
CHAIRMAN'S RECOMMENDATION............	5.00	4.85	4.70	4.60	4.70	4.50

*Less than $25 million

[1] Adjustments for impact of 1982 supplementals not included in CBO baseline.

FUNCTION 800: GENERAL GOVERNMENT

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Legislative Functions...	1.05	1.05	1.10	1.10	1.15	1.15	1.20	1.15	1.10	1.10
Executive Office of the President..............	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Internal Revenue Service	2.50	2.45	2.60	2.55	2.75	2.70	2.90	2.85	2.70	2.65

FUNCTION 800: GENERAL GOVERNMENT

1983 Credit Budget Recommendation

(In millions of dollars)

Program	Gross Direct Loan Obligations CBO Baseline	President's April Budget	HBC Recom.	Gross Loan Guarantee Commitments CBO Baseline	President's April Budget	HBC Recom.
Administration of Territories............	...	...	...	30	8	8
Federal Buildings Fund....	...	...	...	35	...	35
Federal Financing Bank....	65	...	43	...	...	...
TOTAL.....................	65	...	43	65	8	43

SUMMARY OF RECOMMENDATION

(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	...	...	...
Off-budget	0.05	...	0.05
Subtotal, gross direct loans	0.05	...	0.05
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	0.05	...	0.05

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	0.05	*	0.05
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	-0.05	...	-0.05
Primary Loan Guarantee Commitments	...	*	...

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

851: General Revenue Sharing
852: Other General Purpose Fiscal Assistance

DESCRIPTION OF FUNCTION:

The General Revenue Sharing program accounts for about 70 percent of this function. The balance of the function is comprised of antirecession assistance, payments and loans to the District of Columbia, along with the return of portions of certain taxes and other charges to States, local governments, and territories.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

General Revenue Sharing
District of Columbia Federal Payment
Payments in Lieu of Taxes to States and Counties
Payments to Territories

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Treasury
Department of Interior

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	9.75	9.60
Fiscal Year 1979 Actual	8.30	8.35
Fiscal Year 1980 Actual	8.65	8.60
Fiscal Year 1981 Actual	6.25	6.85
Fiscal Year 1982 Second Budget Resolution (12/9/81)	6.50	6.40
Fiscal Year 1982 President's Request (4/9/82)	6.40	6.40
Fiscal Year 1982 Chairman's Recommendation	6.35	6.35
Fiscal Year 1983:		
President's Request (4/9/82)	6.70	6.70
CBO Baseline	6.55	6.55
Chairman's Recommendation	6.50	6.50
Fiscal Year 1984:		
President's Plan (4/9/82)	6.95	6.80
CBO Baseline	7.10	7.00
Chairman's Recommendation	6.75	6.70
Fiscal Year 1985:		
President's Plan (4/9/82)	7.25	7.10
CBO Baseline	7.60	7.50
Chairman's Recommendation	6.85	6.85

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget BA	FY 1983 Budget O	FY 1984 Plan BA	FY 1984 Plan O	FY 1985 Plan BA	FY 1985 Plan O
Current Policy Baseline...............	6.55	6.55	7.10	7.00	7.60	7.50
Adjustments..........................	...	...	...	...	...	...
Revised Baseline......................	6.55	6.55	7.10	7.00	7.60	7.50
Major Policy Issues						
1. Effect of Discretionary Program Freeze..........................	-0.05	-0.05	-0.05	-0.05	-0.10	-0.10
The savings indicate the effect of maintaining discretionary programs in this function at the fiscal year 1982 program level for the next three years. The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process. For illustrative purposes, a table following this summary displays the effect of the freeze if applied uniformly to major programs within this function.						
2. Entitlement Savings...............	...	...	-0.30	-0.25	-0.65	-0.55
The recommendation assumes that the General Revenue Sharing program (GRS) would be reauthorized at the fiscal year 1982 authorization level of $4,567 million.						
Subtotal, Changes from Current Policy Baseline.........................	(-0.05)	(-0.05)	(-0.35)	(-0.30)	(-0.75)	(-0.65)
CHAIRMAN'S RECOMMENDATION.............	6.50	6.50	6.75	6.70	6.85	6.85

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

Effect of Freeze if Applied Uniformly to Major Discretionary Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 Freeze Level	
	BA	O	BA	O	BA	O	BA	O	BA	O
Loans to the District of Columbia.........	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Federal Payment to the District of Columbia	0.35	0.35	0.40	0.40	0.45	0.45	0.45	0.45	0.40	0.40

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

Effect of Recommendation on Major Mandatory Programs

(In billions of dollars)

	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
Program	BA	O	BA	O	BA	O	BA	O	BA	O
General Revenue Sharing	4.55	5.15	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

1983 Credit Budget Recommendation

(In millions of dollars)

	Gross Direct Loan Obligations			Gross Loan Guarantee Commitments		
Program	CBO Baseline	President's April Budget	HBC Recom.	CBO Baseline	President's April Budget	HBC Recom.
Loans to the District of Columbia................	155	145	155	...	...	...
Repayable advances to the District of Columbia....	86	80	86	...	...	...
TOTAL.....................	241	225	241	...	...	...

SUMMARY OF RECOMMENDATION
(In billions of dollars)

Direct Loan Obligations:	CBO Baseline	President's April Budget	HBC Recom.
On-budget	0.25	0.25	0.25
Off-budget	...	...	...
Subtotal, gross direct loans	0.25	0.25	0.25
Less Loan Assets sold to FFB	...	...	...
Net Direct Loans	0.25	0.25	0.25

Loan Guarantee Commitments:	CBO Baseline	President's April Budget	HBC Recom.
Gross Guarantee Commitments	...	...	...
Less Secondary Guarantees	...	...	...
Less Guarantees of Direct Loans	...	...	...
Primary Loan Guarantee Commitments	...	...	...

BEST DOCUMENT AVAILABLE

FUNCTION 900: INTEREST

901: Interest on the Public Debt
902: Other Interest

DESCRIPTION OF FUNCTION:

This function is composed almost exclusively of interest on the public debt, to which are added minor amounts of interest paid by the Federal Government (interest on income tax refunds, for example) and from which are deducted offsetting receipts, such as interest paid by the Federal Financing Bank on its off-budget borrowings from the Treasury. The Treasury Department accordingly accounts for almost all of the transactions in this function. A substantial share of interest paid out by the Treasury under this function is recovered through trust fund receipts. In fiscal year 1981, for example, approximately 17 percent of gross interest payments were collected by Government trust funds. These payments also appear as offsetting receipts in Function 952 and thus are offset in the calculation of total outlays and the Federal deficit. An additional 16 percent of interest payments was returned to the Federal budget as revenues through the deposit of excess earnings of the Federal Reserve System.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Interest on the Public Debt
Interest on Income Tax Refunds
Interest Received from Off-Budget Agencies

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION:

Department of Treasury

FUNCTION 900: INTEREST

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	43.95	43.95
Fiscal Year 1979 Actual	52.55	52.55
Fiscal Year 1980 Actual	64.50	64.50
Fiscal Year 1981 Actual	82.55	82.55
Fiscal Year 1982 Second Budget Resolution (12/9/81)	85.70	85.70
Fiscal Year 1982 President's Request (4/9/82)	99.20	99.20
Fiscal Year 1982 Chairman's Recommendation	102.35	102.35
Fiscal Year 1983:		
President's Request (4/9/82)	113.60	113.60
CBO Baseline	127.80	127.80
Chairman's Recommendation	115.00	115.00
Fiscal Year 1984:		
President's Plan (4/9/82)	119.00	119.00
CBO Baseline	155.95	155.95
Chairman's Recommendation	119.30	119.30
Fiscal Year 1985:		
President's Plan (4/9/82)	123.90	123.90
CBO Baseline	170.00	170.00
Chairman's Recommendation	110.85	110.85

FUNCTION 900: INTEREST

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline...............	127.80	127.80	155.95	155.95	170.00	170.00
Adjustments.........................	...	...	...	...	...	...
Revised Baseline......................	127.80	127.80	155.95	155.95	170.00	170.00
Major Policy Issues						
• Savings bond proposal............	-0.35	-0.35	-0.70	-0.70	-0.85	-0.85
The administration has proposed legislation to set interest on savings bonds held for at least 5 years at 85 percent of the average market yield on 5-year Treasury securities. The administration expects that savings bonds will become more attractive to investors relative to more costly marketable securities, thus reducing aggregate interest outlays.						
• Deficit reduction...............	-4.65	-4.65	-16.35	-16.35	-29.20	-29.20
Deficit-reducing measures will reduce the level of Federal debt that needs to be financed and therefore reduce interest outlays.						
• Changes in Interest Rates as a Result of Deficit Reduction.....	-7.80	-7.80	-19.60	-19.60	-29.10	-29.10
The adoption of a credible deficit reduction plan is expected to reduce interest rates below those assumed in the baseline.						
Subtotal, Changes from Current Policy Baseline............................	(-12.80)	(-12.80)	(-36.65)	(-36.65)	(-59.15)	(-59.15)
CHAIRMAN'S RECOMMENDATION.............	115.00	115.00	119.30	119.30	110.85	110.85

FUNCTION 900: INTEREST

Effect of Recommendations on Major Mandatory Programs

(In billions of dollars)

Program	FY 1981 Actual		FY 1982 Program Level		FY 1983 CBO Baseline		FY 1983 April Budget Request		FY 1983 FBR Recommendation	
	BA	O	BA	O	BA	O	BA	O	BA	O
Interest:										
Current Law	82.55	82.55	102.35	102.35	127.80	127.80	117.70(1)	117.70(1)	127.80	127.80
Proposed legislation	...	...	...	...	...	...	-0.35	-0.35	-0.35	-0.35
Deficit change	...	...	+0.1	+0.1	...	...	-3.75	-3.75	-4.65	-4.65
Change in interest rates	...	...	-0.1	-0.1	...	...	...	...	-7.80	-7.80
Total	82.55	82.55	102.35	102.35	127.80	127.80	113.60	113.60	115.00	115.00

---

(1)"Current services with adequate defense."

FUNCTION 920: ALLOWANCES

DESCRIPTION OF FUNCTION:

This function includes an amount for the civilian agency pay raises that take effect each October. The function may also include a contingency allowance to cover unspecified requirements that may surface after the budget is submitted. Across-the-board or unspecified other budget amounts are sometimes shown in this function if they cannot conveniently be distributed among other functions.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION:

Civilian Agency Pay Raise
Contingencies for Other Requirements
Fraud, Waste, and Abuse
Undistributed Debt Collection

FUNCTION 920: ALLOWANCES

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	N/A	N/A
Fiscal Year 1979 Actual	N/A	N/A
Fiscal Year 1980 Actual	N/A	N/A
Fiscal Year 1981 Actual	N/A	N/A
Fiscal Year 1982 Second Budget Resolution (12/9/81)	N/A	N/A
Fiscal Year 1982 President's Request (4/9/82)	-0.25	-0.30
Fiscal Year 1982 Chairman's Recommendation	2.85	1.90
Fiscal Year 1983:		
President's Request (4/9/82)	-0.45	-0.50
CBO Baseline	2.35	2.40
Chairman's Recommendation	-1.05	-0.85
Fiscal Year 1984:		
President's Plan (4/9/82)	1.10	1.05
CBO Baseline	4.85	5.10
Chairman's Recommendation	0.20	0.50
Fiscal Year 1985:		
President's Plan (4/9/82)	1.00	0.95
CBO Baseline	7.15	7.55
Chairman's Recommendation	0.50	0.90

FUNCTION 920: ALLOWANCES

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget BA	FY 1983 Budget O	FY 1984 Plan BA	FY 1984 Plan O	FY 1985 Plan BA	FY 1985 Plan O
Current Policy Baseline..........	2.35	2.40	4.85	5.10	7.15	7.55
Adjustments1/................	...	+0.20	...	+0.20	...	+0.20
Revised Baseline.................	2.35	2.60	4.85	5.30	7.15	7.75
Major Policy Issues						
1. Management Initiatives.......	-2.00	-2.00	-2.00	-2.00	-3.00	-3.00
The recommendation assumes achievement of the savings in the President's February budget request from a reduction in fraud, waste and abuse and an increase in agency (non-IRS) debt collection. Savings from reducing fraud, waste and abuse would be $1 billion in each fiscal year and savings from increased debt collection would be $1 billion in each fiscal year 1983-84 and $2 billion in fiscal year 1985.						
2. Federal Pay Raise............	-1.40	-1.45	-2.65	-2.80	-3.65	-3.85
The recommendation assumes a pay raise of four percent for civilian employees for each fiscal year 1983-85. While the President's February budget assumed a five percent pay raise, the President has now endorsed the Senate proposal that would provide for a zero (-0-) percent pay raise in fiscal year 1983. This recommendation assumes a four percent Federal pay raise in fiscal years 1983-85. This recommendation also also assumes 20 percent absorption of the pay raise costs by the civilian agencies. In Function 050: National Defense. the						

	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
In billions of dollars	BA	O	BA	O	BA	O
recommendation also assumes Department of Defense employees will receive a four percent pay raise for the next three fiscal years with 20 percent absorption by the Department.						
Subtotal, Changes from Current Policy Baseline...............	(-3.40)	(-3.45)	(-4.65)	(-4.80)	(-6.65)	(-6.85)
CHAIRMAN'S RECOMMENDATION.......	-1.05	-0.85	0.20	0.50	0.50	0.90

---

[1] Adjustment reflects estimated outlay effect of the proposed $2 billion 1982 employment stimulus initiative.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

951: Employer Share, Employee Retirement
952: Interest Received by Trust Funds
953: Rents and Royalties on the Outer Continental Shelf
954: Federal Surplus Property Disposition

DESCRIPTION OF FUNCTION:

Undistributed offsetting receipts involve financial transactions that are deducted from budget authority and outlays of the Government as a whole. The four items in this function are the employer share of employee retirement programs, composed of the Federal Government's contribution to its employee retirement plans; interest received by trust funds -- the income that trust funds earn on their investment in public debt securities; receipts from the sale of leases on Outer Continental Shelf (OCS) lands, from annual rental fees, and from royalties on oil and gas production from leased lands; and receipts from the sale of Federal surplus properties.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

II. MULTIYEAR PERSPECTIVE

In billions of dollars	Budget Authority	Outlays
Fiscal Year 1978 Actual	-15.75	-15.75
Fiscal Year 1979 Actual	-18.50	-18.50
Fiscal Year 1980 Actual	-21.95	-21.95
Fiscal Year 1981 Actual	-30.30	-30.30
Fiscal Year 1982 Second Budget Resolution (12/9/81)	-32.90	-32.90
Fiscal Year 1982 President's Request (4/9/82)	-31.75	-31.75
Fiscal Year 1982 Chairman's Recommendation	-30.25	-30.25
Fiscal Year 1983:		
President's Request (4/9/82)	-41.15	-41.15
CBO Baseline	-34.65	-34.65
Chairman's Recommendation	-43.65	-43.65
Fiscal Year 1984:		
President's Plan (4/9/82)	-47.00	-47.00
CBO Baseline	-38.15	-38.15
Chairman's Recommendation	-49.50	-49.50
Fiscal Year 1985:		
President's Plan (4/9/82)	-49.25	-49.25
CBO Baseline	-42.25	-42.25
Chairman's Recommendation	-50.85	-50.85

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

III. Summary of Recommendation

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
Current Policy Baseline..........	-34.65	-34.65	-38.15	-38.15	-42.25	-42.25
Adjustments.................	...	...	...	...	...	...
Revised Baseline.................	-34.65	-34.65	-38.15	-38.15	-42.25	-42.25

Major Policy Issues

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
1. Outer Continental Shelf (OCS) Receipts	-7.80	-7.80	-8.25	-8.25	-6.60	-6.60

The administration's April reestimate for OCS receipts is $15.7 billion for fiscal year 1983, $16.75 billion for fiscal year 1984, and $17.2 billion for fiscal year 1985. For fiscal year 1983, the current policy baseline assumes $7.9 billion in OCS receipts. The recommendation assumes the administration's OCS receipts level, and as a result an additional $7.8 billion in OCS receipts is required.

For fiscal year 1984, the current policy baseline for OCS receipts assumes $8.5 billion, and $10.6 billion in fiscal year 1985. Because the recommendation assumes the higher administration's estimates, adjustments of $8.25 billion and $6.60 billion, respectively, are required.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
2. Real Property Management Initiative....................	-1.00	-1.00	-4.00	-4.00	-4.00	-4.00

The recommendation also assumes the administration's real property management initiative estimated to collect $1 billion in fiscal year 1983, and $4 billion in each of fiscal years 1984 and 1985. The current policy baseline does not assume these.

In billions of dollars	FY 1983 Budget		FY 1984 Plan		FY 1985 Plan	
	BA	O	BA	O	BA	O
3. Other Policy Differences.......	-0.20	-0.20	+0.90	+0.90	+2.00	+2.00
• Civil Service Retirement....	(-0.40)	(-0.40)	(-0.40)	(-0.40)	(-0.40)	(-0.40)
The recommendation assumes that the Executive Branch will collect the funds which it alleges are owed to the Civil Service Retirement trust fund by the Postal Service as a result of the pay raises granted in the recent labor contract. The recommendation assumes the Postal Service's estimate of the amount in dispute, which is $0.40 billion annually. This recommendation also is included as income and budget authority to the trust fund in Function 600.						
• Changes in Interest Rates as a Result of Deficit reduction..................	(+0.20)	(+0.20)	(+1.30)	(+1.30)	(+2.40)	(+2.40)
The adoption of a credible deficit reduction plan is expected to reduce interest rates, and thus interest payments on trust fund balances.						
Subtotal, Changes from Current Policy Baseline...............	(-9.00)	(-9.00)	(-11.35)	(-11.35)	(-8.60)	(-8.60)
CHAIRMAN'S RECOMMENDATION.......	-43.65	-43.65	-49.50	-49.50	-50.85	-50.85

VIII. FISCAL YEAR 1982 REVISED SECOND BUDGET RESOLUTION RECOMMENDATIONS

BLANK PAGE

I. THE NEED FOR A REVISED SECOND BUDGET RESOLUTION FOR FISCAL YEAR 1982

The Second Budget Resolution, establishing spending ceilings and a revenue floor for fiscal year 1982, requires revision in order to accommodate any additional supplementals for fiscal year 1982. The revenue floor of $657.8 billion, spending limitation of $695.45 billion in outlays and the projected deficit of $37.65 billion were the First Resolution assumptions reaffirmed in the Second Resolution and are now outdated.

It was fully understood when the Second Resolution was adopted that it was merely a pro forma act. The report of the House Budget Committee stated, "The Committee is fully aware that, after the beginning of the next session, it may be necessary to alter the spending and revenue limits set forth in this resolution as well as the economic assumptions on which they are based."

We should not postpone this decision any longer. The administration has proposed, and Congress has enacted in this session, additional spending for unemployment compensation, employment services, and the Commodity Credit Corporation. Additional supplemental requests are pending for Guaranteed Student Loans, Merit System Protection Board, Bureau of Government Financial Operations, and EPA Construction Grants; there are also other program supplementals pending. By failing to act, the Congress would be ignoring reality and assuming that future fiscal year 1982 decisions are within the scope of the present unrealistic spending ceiling.

The revised resolution will also accommodate supplementary funding for a $2 billion emergency jobs creation program for this summer and early fall. This emergency jobs program reflects the belief that with record post World War II unemployment of 9.4 percent and over 10,000,000 Americans unemployed, action is required immediately. The program will create almost immediately, productive jobs targeted toward alleviating deteriorating infrastructure conditions and would involve programs such as road, street and bridge repair, housing aid, and other public work improvements.

If the Congress is to retain its credibility and execute its role in the formulation of fiscal policy, it must do so in the context of realistic numbers and assumptions. The revision of the Second Budget Resolution does not contemplate any major policy initiatives. Rather, as will be detailed later in this document, it incorporates Congressional Budget Office spending estimates based on realistic economic assumptions to arrive at the spending ceilings and revenue floor for the remainder of fiscal year 1982.

Revenues

The current law revenue estimate of $623.0 billion does not include anticipated revenue legislation now under consideration by the Congress. H.R. 4717, the LIFO Recapture bill, has passed both houses and awaits conference, with the Senate version originally higher than the House at $51 million. Subsequently, the House has added the major provision of H.R. 4961, the Miscellaneous Revenue Act, which had been passed over by the Senate in last year's conference agreement and which costs $54 million. $50.1 million would accommodate all the minor trade and tariff legislation contemplated being agreed to this year: H.R. 4566, a miscellaneous tariff and trade bill; H.R. 1184, the Sugar Import bill; H.R. 6094, the major trade related authorization bill; H.R. 4761, extending the President's tariff negotiating authority; H.R. 5900, the Caribbean Basin Initiative; and a number of smaller individual tariff bills. Were enactment of all these measures to be provided for with revenue assumptions, revenues should be reduced by $155 million or $0.2 billion rounding off. This would reduce the revenue floor in the revised Second Budget Resolution to $622.8 billion.

The figures contemplated in this revision are as follows:

- Budget Authority = 784.20
- Outlays = 743.60
- Revenues = 622.80
- Deficit = -120.80

Summary tables follow.

SUMMARY TABLE 1

FISCAL YEAR 1982
COMPARISON OF SECOND BUDGET RESOLUTION, CBO CURRENT LEVEL AND REVISED SECOND BUDGET RESOLUTION

	Second Budget Resolution (12/9/81)	Current Level (5/7/82)	Revised Second Budget Resolution
Budget authority	770.90	772.80	784.20
Outlays	695.45	737.75	743.60
Revenues	657.80	623.00	622.80
Deficit	-37.65	-114.75	-120.80
Debt subject to limit	1,079.80	1,141.15	1,147.20
050-National defense:			
Budget authority	226.30	215.95	218.20
Outlays	188.80	190.10	190.80
150-International affairs:			
Budget authority	17.40	16.25	16.75
Outlays	11.15	11.10	11.45
250-General science, space, and technology:			
Budget authority	7.20	7.00	7.00
Outlays	7.00	7.00	7.00
270-Energy:			
Budget authority	4.50	4.75	4.75
Outlays	6.00	6.50	6.50
300-Natural resources and environment:			
Budget authority	8.20	7.80	10.40
Outlays	12.40	12.65	12.85
350-Agriculture:			
Budget authority	5.50	9.90	9.90
Outlays	4.50	13.80	13.80
370-Commerce and housing credit:			
Budget authority	7.70	6.50	7.50
Outlays	4.00	3.75	3.75
400-Transportation:			
Budget authority	21.20	20.20	21.35
Outlays	20.40	21.10	21.45
450-Community and regional development:			
Budget authority	7.10	6.70	7.00
Outlays	8.70	8.50	8.65
500-Education, training, employment, and social services:			
Budget authority	26.20	25.35	25.45
Outlays	26.85	28.05	28.20
550-Health			
Budget authority	83.50	79.00	79.05
Outlays	73.35	73.75	73.75
600-Income security:			
Budget authority	262.70	261.40	261.05
Outlays	239.70	250.40	251.55
700-Veterans benefits and services:			
Budget authority	24.80	24.80	24.80
Outlays	24.05	23.80	23.80
750-Administration of justice:			
Budget authority	4.30	4.45	4.50
Outlays	4.45	4.60	4.65
800-General government:			
Budget authority	5.00	4.95	5.20
Outlays	4.90	4.80	5.05
850-General purpose fiscal assistance:			
Budget authority	6.50	6.35	6.35
Outlays	6.40	6.35	6.35
900-Interest:			
Budget authority	85.70	101.10	102.35
Outlays	85.70	101.10	102.35
920-Allowances:			
Budget authority	...	0.85	2.85
Outlays	...	0.90	1.90
950-Undistributed offsetting receipts:			
Budget authority	-32.90	-30.50	-30.25
Outlays	-32.90	-30.50	-30.25

SUMMARY TABLE 2

FISCAL YEAR 1982
COMPARISON OF OMB BUDGET SUBMISSION, CBO CURRENT LEVEL AND REVISED SECOND BUDGET RESOLUTION
(In billions of dollars)

	OMB Budget Submission (4/9/82)	CBO Current Level (5/7/82)	Revised Second Budget Resolution	Difference Revised Second Budget Over(+)/ Under(-) Current Level
Budget authority	764.85	772.80	784.20	+11.40
Outlays	728.90	737.75	743.60	+5.85
Revenues	628.40	623.00	622.80	-0.20
Deficit	-100.50	-114.75	-120.80	+6.05
Debt subject to limit	1133.00	1141.15	1147.20	+6.05
050-National defense:				
Budget authority	218.95	215.95	218.20	+2.25
Outlays	187.50	190.10	190.80	+0.70
150-International affairs:				
Budget authority	18.95	16.25	16.75	+0.50
Outlays	11.40	11.10	11.45	+0.35
250-General science, space, and technology:				
Budget authority	7.00	7.00	7.00	...
Outlays	6.95	7.00	7.00	...
270-Energy:				
Budget authority	4.80	4.75	4.75	...
Outlays	6.20	6.50	6.50	...
300-Natural resources and environment:				
Budget authority	10.10	7.80	10.40	+2.60
Outlays	12.70	12.65	12.85	+0.20
350-Agriculture:				
Budget authority	9.60	9.90	9.90	...
Outlays	12.80	13.80	13.80	...
370-Commerce and housing credit:				
Budget authority	6.30	6.50	7.50	+1.00
Outlays	3.40	3.75	3.75	...
400-Transportation:				
Budget authority	20.90	20.20	21.35	+1.15
Outlays	21.15	21.10	21.45	+0.35
450-Community and regional development:				
Budget authority	6.60	6.70	7.00	+0.30
Outlays	8.20	8.50	8.65	+0.15
500-Education, training, employment, and social services:				
Budget authority	23.80	25.35	25.45	+0.10
Outlays	27.95	28.05	28.20	+0.15
550-Health				
Budget authority	79.05	79.00	79.05	+0.05
Outlays	73.45	73.75	73.75	...
600-Income security:				
Budget authority	250.75	261.40	261.05	-0.35
Outlays	249.70	250.40	251.55	+1.15
700-Veterans benefits and services:				
Budget authority	24.80	24.80	24.80	...
Outlays	24.15	23.80	23.80	...
750-Administration of justice:				
Budget authority	4.50	4.45	4.50	+0.05
Outlays	4.65	4.60	4.65	+0.05
800-General government:				
Budget authority	5.15	4.95	5.20	+0.25
Outlays	5.15	4.80	5.05	+0.25
850-General purpose fiscal assistance:				
Budget authority	6.40	6.35	6.35	...
Outlays	6.40	6.35	6.35	...
900-Interest:				
Budget authority	99.20	101.10	102.35	+1.25
Outlays	99.20	101.10	102.35	+1.25
920-Allowances:				
Budget authority	-0.25	0.85	2.85	+2.00
Outlays	-0.30	0.90	1.90	+1.00
950-Undistributed offsetting receipts:				
Budget authority	-31.75	-30.50	-30.25	+0.25
Outlays	-31.75	-30.50	-30.25	+0.25

SUMMARY TABLE 3

CHANGES IN ESTIMATED REVENUES, OUTLAYS AND THE DEFICIT FROM THE SECOND BUDGET RESOLUTION

I. SECOND BUDGET RESOLUTION - REVENUES		657.80
• Economic assumptions		-40.90
Lower taxable income	(-33.80)	
Lower oil prices	(-7.90)	
Higher interest rates	(+0.80)	
• Policy differences		
Difference betweeen recommended and enacted revenue reduction	(+12.30)	+12.10
Anticipated revenue legislation	(-0.20)	
• Accounting change for Medical Care Premiums		-3.90
• Technical estimating differences		-2.30
REVISED SECOND BUDGET RESOLUTION		622.80
II. SECOND BUDGET RESOLUTION - OUTLAYS		695.45
• Economic assumptions		+12.95
Higher interest rates	(+5.20)	
Higher unemployment	(+7.75)	
• Policy differences		+2.40
Completed Congressional action	(-2.10)	
Anticipated discretionary supplementals	(+4.50)	
• Technical estimating differences		+28.85
• Higher Interest Outlays from Higher Levels of Borrowing		+7.85
• Accounting Change for Medical Care Premiums		-3.90
REVISED SECOND BUDGET RESOLUTION		743.60
III. SECOND BUDGET RESOLUTION - DEFICIT		-37.65
• Economic assumptions		-53.85
• Policy differences		+9.70
• Technical esitmating differences		-31.15
• Higher Interest Outlays from Higher Deficits		-7.85
REVISED SECOND BUDGET RESOLUTION		-120.80

SUMMARY TABLE 4

MAJOR EXAMPLES OF REVISIONS TO THE SECOND BUDGET RESOLUTION

(In billions of dollars)

	Budget Authority	Outlays
SECOND BUDGET RESOLUTION........................	770.90	695.45
I. REESTIMATES...............................	+17.75	+45.75
• ECONOMIC........................	+7.40	+13.05
Unemployment Compensation.......	(+2.10)	(+7.75)
Higher Interest Rates...........	(+5.20)	(+5.20)
• Higher Interest Outlays from Increased Levels of Borrowing...	+7.85	+7.85
• TECHNICAL......................	+6.40	+28.85
Defense Outlay Spendout Rate....	(...)	(+5.20)
CCC - Farm Price Supports.......	(...)	(+9.10)
Medicare........................	(+0.10)	(+3.00)
AFDC............................	(+1.00)	(+1.20)
Social Security/Railraod Retirement....................	(-0.75)	(+1.15)
OCS Rents and Royalties	(+2.40)	(+2.40)
Miscellaneous Mortgage Purchase Assistance...........	(-0.75)	(+0.20)
Export-Import Bank..............	(-0.50)	(-0.20)
Employer's Share of Employee Retirement...........	(-0.40)	(-0.40)
Interest Rates..................	(+2.90)	(+2.90)
Unemployment Compensation.......	...	(-1.60)
• Accounting Charge for Medical Care Premiums.........	-3.90	-3.90
II. CONGRESSIONAL ACTION TO DATE................	-14.60	-2.10
Defense.........................	(-9.20)	(-4.25)
SPRO............................	(-0.70)	(-0.70)
Social Security Minimum Benefit.	(-0.20)	(+0.65)
CCC - Borrowing Authority.......	(5.00)	(...)
Military Construction...........	(-0.95)	(-0.20)
Training and Labor Programs.....	(-1.00)	(-0.70)
Subsidized Housing..............	(-2.65)	(...)
Discretionary Higher Education..	(-0.50)	(-0.05)
III. DISCRETIONARY SUPPLEMENTALS................	+10.15	+4.50
TOTAL REVISED SECOND BUDGET RESOLUTION..........	784.20	743.60

SUMMARY TABLE 5

MANDATORY SUPPLEMENTALS INCORPORATED WITHIN THE TOTALS OF CURRENT LEVEL FOR THE REVISED SECOND BUDGET RESOLUTION

(In millions of dollars)

Function	Program	President's Budget*		Revised Second Budget*	
		BA	O	BA	O
050	Military & Civilian Pay raises	5,379	5,071	5,379	5,301
	Retired Pay - military	98	97	98	97
400	Payment to Air Carriers	20	20	20	20
500	Guaranteed Student Loans	978	734	1,442	478
	Foster Care	...	...	52	52
550	Medicaid	553	553	446	604
	Employees Health Benefits	304	304	304	304
600	Child Nutrition	...	...	59	...
	Public Assistance - State Administrative Expenses	...	...	229	...
920	Civilian Pay Raises1/	826	875	826	875
	TOTAL	$8,158	$7,654	$8,855	$7,731

*Offsetting entitlement payments not shown here.

1/Includes $82,284 for trust fund limitation increases.

SUMMARY TABLE 6

ADDITIONAL SPENDING REQUIREMENTS INCORPORATED WITHIN THE TOTALS FOR THE REVISED SECOND BUDGET RESOLUTION

(Supplementals, Rescissions and Legislation Pending before Congress)

(In millions of dollars)

Function	Program	President's Budget (April 9, 1982)		Revised Second Budget Resolution	
		BA	O	BA	O
050	Atomic Energy Defense Supplemental	97	77	97	77
	Defense Supplemental	2,180	1,258	2,180	587
	Military and Civilan Pay Raises**	(5,379)	(5,071)	(5,379)	(5,301)
150	Military Assistance and Credit Sales	116	59	116	59
	Caribbean Basin Initiative	350	279	350	279
	Department of State - Salaries and Expenses	8	6	8	6
	Radio Broadcasting to Cuba	10	9	10	9
	P.L. 480 Food for Peace	...	19	...	19
	Embassy Security Enhancement	49	7	49	7
	Migration and Refugee Assistance (rescission)	-40	-32	-40	-32
270	Economic Regulatory Activities (DOE)	2	-2	2	-2
	State Energy Conservation Planning Funds (rescission)	-6	-5	...	...
	Solar Energy (rescission)	-22	-7	...	...
300	EPA Construction Grants:	2,400	...	2,400*	20*
	Forest Fire Fighting	148	137	152	142
	Construction of Training and Research Facilities	4	1	12	9
	National Oceanic and Atmospheric Administration (NOAA)	...	...	2*	1*
	Improved Royalty Management	...	...	3	1
	Corps of Engineers - Land Acquisition and Dredging	...	...	38	4
370	Department of Commerce - Administrative Expenses	9	9	9*	9*
	GNMA Tandem Mortgage Purchases	...	...	1,000*	...*
	Copyright Royalty Tribunal Salaries and Expenses	1	1	1	1
400	Coast Guard Operating Expenses	31	31	160*	160*
	FAA Operations and Research	136	128	136	128
	Grants in Aid to Airports (ADAP)	...	...	600	...
	Interstate Transfer - Highways	...	...	250*	42*

BEST DOCUMENT AVAILABLE

Function	Program	President's Budget (April 9, 1982)		Revised Second Budget Resolution	
		BA	O	BA	O
400 (cont)	Directed Rail Services	8	8	8*	8*
	Highway-Related Safety Grants (rescission)	-10	...	...	...
450	Economic Development Administration	...	...	...	4*
	Federal Emergency Management Agency	2	2	...	...
	Coastal Energy Impact Assistance (rescission)	-7	-4	...	...
	Energy Conservation Grants (rescission)	-14	-12	...	...
	Disaster Assistance	...	...	300	150
500	Office of Post-Secondary Education	15	10	15	10
	Howard University	6	5	6*	5*
	Departmental Administration - (Pell Grants)	6	5	5*	4*
	ACTION	...	...	2*	2*
	Work Incentive Program	...	...	77*	73*
	Elementary, Secondary and Vocational Education (rescission)	-860	-81	...	...
	Higher Education (rescission)	-184	-28	...	...
	Research and General Education Aids (rescission)	-22	-5	...	...
	Rehabilitation Services and Handicapped (rescission)	-91	-77	...	...
550	Indian Health Services	...	...	36	29
	HCFA Program Management	6	2	...	...
	Office of the Assistant Secretary for Health - Adolescent Pregnancy Program	10	2	...	...
	Mine Safety and Health Administration (rescission)	-4	...	...	...
600	Food Stamp Program	1,007	994	1,295	1,006
	Subsidized Housing (rescission)	-9,400	...	-100*	...*
	Rent Supplement	-1,750	...	-1,750	...
	Public Housing Operating Subsidies	...	...	150	150
	Refugee Assistance	...	...	30	30
700	Soldiers and Airmen's Home	1	1	1	1
750	Legal Activities - U. S. Marshall Service	4	4	4	4
	Defender Services	2	2	2	2
	Bureau of Alcohol, Tobacco, and Firearms	24	24	24*	24*
	Custom Service - South Florida Anti-Crime Task Force	7	6	7*	6*

Function	Program	President's Budget (April 9, 1982)		Revised Second Budget Resolution	
		BA	O	BA	O
800	Treasury Department - Bureau of Government Financial Operations	82	80	82*	80*
	U.S. Tax Court	...	...	2*	1*
	Internal Revenue Service (IRS)	123	122	123	122
	Merit Systems Protection Board (MSPB)	6	3	4*	4*
	Legislative Branch	26	19	26	19
	Office of Territorial Affairs - Relocation of Bikini Islanders	24	4	24	3
920	Civilian Pay Raises**	(826)	(875)	(826)	(875)
	Employment Initiative	...	...	2,000	1,001
950	Oil and Gas Leases	...	...	250	250
TOTAL PROGRAM SUPPLEMENTAL		-5,510	3,061	10,158	4,514

* All or portion of these items are contained in the urgent supplemental, H.R. 5922, as reported from the Appropriations Committee.

** The estimates for these programs are contained in the current level estimate of spending.

1/ Was enacted in February (H.R. Res. 389), 1982.

BEST DOCUMENT AVAILABLE

REVISED CREDIT BUDGET TARGETS
FISCAL YEAR 1982

Credit Budget Totals
(in billions of dollars)

	Second Budget Resolution	President's April Budget	Current Level	Anticipated Supplementals	Revised Second Budget Resolution
Direct Loan Obligations:					
On-budget agencies	28.30	33.95	35.55	+1.35	36.90
Off-budget agencies	23.65	26.55	25.20	+1.30	26.50
Total, direct loans	51.95	60.50	60.75	+2.65	63.40
Loan Guarantee Commitments:					
Primary*	85.10	75.90	76.00	-1.15	74.85
Secondary**	70.10	48.70	68.95	...	68.95
Total, loan guarantees	155.20	124.60	144.95	-1.15	143.80

*Primary loan guarantees are guarantees of loans held by the public for which a Federal agency or entity assures, in whole or in part, the repayment of principal and interest.

**Secondary loan guarantees are guarantees of loans previously guaranteed in some form by another Federal agency or entity. Secondary guarantees do not increase the contingent liability of the Federal Government.

Revised Credit Budget Targets

The recommended Revised Second Budget Resolution targets for credit programs would incorporate Current Level and the effect of possible discretionary supplemental appropriations and rescissions on Federal credit activity. Four of the recommended supplemental appropriation items involve credit programs. The proposed supplemental for the President's Caribbean basin proposal would increase direct loans by $400 million. Another supplemental item would increase direct loans under the P.L. 480 food program by $19 million. The proposed supplemental appropriation for GNMA tandem mortgage purchases would be a $1.0 billion increase in direct loan obligations. Finally, the anticipated rejection of most of the administration's proposed rescission of subsidized housing funds would result in funds being available to pay interest rate differentials to the FFB on public housing bonds. This action would allow the FFB to purchase $1.25 billion of public housing bonds. Since these bonds are guaranteed loans, this supplemental action would convert $1.25 billion of guarantees into $1.25 billion of off-budget direct loans. The following table summarizes the proposed Revised Second Resolution credit budget by function:

1982 Credit Budget Targets
Revised Second Budget Resolution

(In billions of dollars)

		Direct Loan Obligations*	Primary Loan Guarantees	Secondary Loan Guarantees
150	International Affairs.........	10.40	8.10	-
250	General Science, Space and Technology.................	0.20	-	-
270	Energy.......................	10.30	0.40	-
300	Natural Resources and Environment................	0.05	-	-
350	Agriculture	22.60	2.70	-
370	Commerce and Housing Credit...	12.05	26.20	68.20
400	Transportation................	0.35	0.75	0.05
450	Community and Regional Development.................	2.00	0.85	-
500	Education, Training, Employment, and Social Services...	1.30	6.50	0.70
550	Health........................	0.05	0.10	-
600	Income Security...............	2.75	17.05	-
700	Veterans Benefits and Services	1.05	11.90	-
800	General Government............	0.05	-	-
850	General Purpose Fiscal Assistance..................	0.25	0.30	-
	TOTAL	63.40	74.85	68.95

*Includes direct loan obligations from on-budget and off-budget programs

Second Budget Resolution

The Second Budget Resolution for 1982 included credit budget targets of $51.95 billion for direct loan obligations and $155.20 billion for new loan guarantee commitments. Both aggregate and function-by-function targets were included in the Second Resolution.

Congressional Action to Date

The 1982 Current Level for Federal credit assistance programs reflects Congressional action on annual credit limits in appropriations bills and the effect of the 1981 Omnibus Reconciliation Act and other laws. For credit assistance programs not affected by an annual appropriations limit or other House actions, Current Level includes CBO's latest estimate of actual direct loan obligations and loan guarantee commitments. For most of these programs not subject to a limit, the CBO estimate agrees with the administration's latest estimate for 1982 because the level of activity is subject to administration discretion. Current Level also includes some CBO reestimates in programs subject to annual limit where demand for the credit assistance from qualified applicants is expected to fall below the enacted limit. Current Level does not include any of the policy reductions proposed by the President in 1982 guarantees.

The Current Level of total new direct loan obligations is $60.75 billion, $8.80 billion higher than the Second Budget Resolution. The Current Level for total new loan guarantee commitments is $144.95 billion, $10.25 billion lower than the Second Resolution. The vast majority of the estimated increase in direct loan obligations over the amounts assumed in the Second Resolution has occurred in direct loan programs not subject to an annual limit. The largest such increases in direct loans not subject to a limit are in the Agriculture Department. Loans from the Agricultural Credit Insurance Fund are now estimated to be $9.40 billion, $5.04 billion higher than was assumed in the Second Resolution. Commodity Credit Corporation price support loans are now estimated to be $13.20 billion, an increase of $8.68 billion more than was assumed in the Second Resolution. Rural housing loans are now estimated to be $6.37 billion, $1.63 billion higher than was assumed in the Second Resolution. All of these reestimates reflect increases in market demand for credit assistance and a corresponding increase in the sale of loan assets to the FFB to finance the increase in market demand. The decrease in loan guarantee commitments in Current Level also reflects the increase in FFB purchases. Many of these purchases convert guaranteed loans into direct loans reducing the net credit assistance provided in the form of loan guarantees.